

# Nation's Business

A USEFUL LOOK AHEAD

AUGUST 1959



**How to raise productivity 20%**

page 30

States move on union abuses PAGE 36

Act now to head off future spending sprees PAGE 27

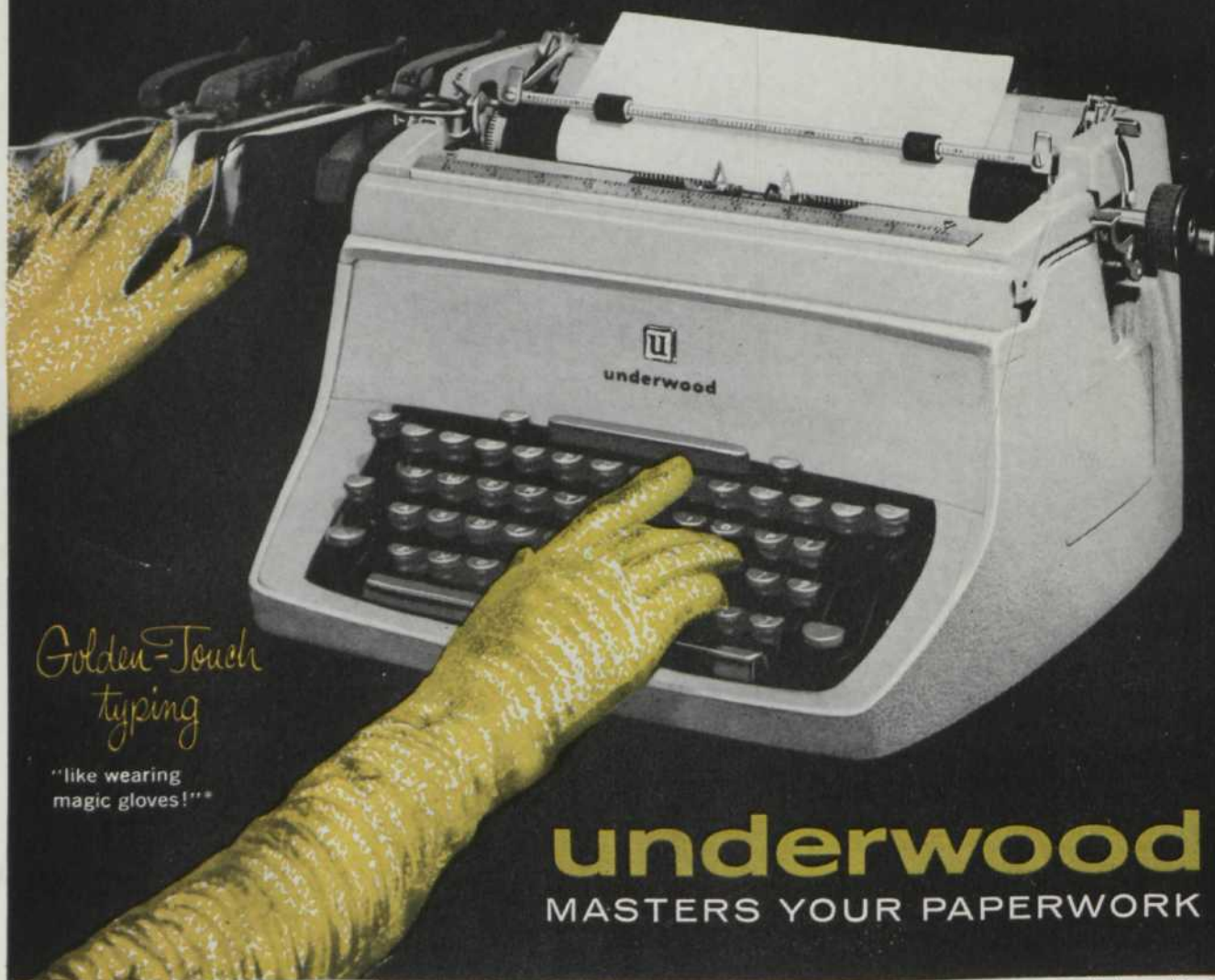
Plan your coming growth PAGE 34

Make your "no" creative PAGE 66

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AN INTERESTING LETTER SAID...

# "Why in Heaven Don't You Speak Out on Inflation?"



I have received a number of letters from men and women who are concerned about inflation. One A. T. & T. share owner asked, "Why in heaven don't you speak out on this subject?"

The letter went on to say, "If you would alert the 1,625,000 share owners and 700,000 employees to the facts about inflation, they would help spread the news."

I warmly agree that it is essential to alert more people to the dangers of inflation and we in the Bell System are speaking up and speaking out at every opportunity.

In recent articles and bulletins to employees, the Bell System Companies have discussed the threat which inflation poses to the purchasing power of the dollar and to savings, insurance, and pensions.

At the annual meeting of A. T. & T. share owners I pointed out that inflation has been a tough problem in the telephone business. But we have not just talked about the problem—we have developed more efficient equipment and introduced many economies of operation. It is worth noting that the price of telephone service has generally gone up less since World War II than most other things.

But we know that the forces of inflation are far too widespread and powerful for any one individual or business to stem them singlehanded.

This brings me to the question that I believe so many are asking. "How can I help?" In these ways, it seems to me:

By giving spoken and written support to those who are working for a strong, sound, and stable dollar.

By opposing unreasonable demands, excessive spending, and schemes that add fuel to the inflationary fire.

Your friends and associates, and especially your representatives in Congress, are entitled to your constructive views.

For our part, we will continue to fight inflation by pushing research hard and effecting economies in our business. And by speaking out against this threat to the people and the country.

FREDERICK R. KAPPEL, PRESIDENT  
AMERICAN TELEPHONE AND TELEGRAPH COMPANY, NEW YORK, N. Y.



# Nation's Business

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## **7 Management's Washington letter**

Where wage trends are headed next; what price changes will do for an estimated two million U.S. workers by next Nov. 1

## **14 WATCH THIS ISSUE: Old laws boost wage costs**

Opposition is growing to two labor laws of the depression era which are raising wage levels and cost of government

## **19 TRENDS: The State of the nation**

California's spectacular growth gives its citizens happy opportunity to explore implications in terms of politics

## **23 TRENDS: Washington mood**

Both the Administration and Congress are beginning to show a healthy respect for a moderate policy on federal spending

## **27 Act now to head off future spending sprees**

U. S. budget chief tells what's behind the spending push and how businessmen can help solve the fiscal crisis ahead

## **30 How to raise productivity 20 per cent**

Research has developed a new theory of management which can lead to higher motivation and lower operating costs

## **33 Change requires employe support**

Experience shows that management needs a strong psychological foundation to achieve employe acceptance of change

## **34 Plan your coming growth**

Plant expansion headed for new record next year; you can match your own expectations against these national trends

## **36 States move on union abuses**

New laws have been added to many already on the books, but how effective they can be depends on what Congress does

## **38 HOW'S BUSINESS? Today's outlook**

Construction wage rates skyrocket; 1961 budget, being prepared, could hit \$80 billion; interest compromise likely

## **45 Sharper price figures in sight**

Your planning job will be made easier by coming changes in the Consumer Price Index and other statistical indexes



**46 Next big step: Upgrade supervisors**

Research shows many topflight companies are utilizing these methods in growing emphasis on their first-line management

**50 Basic strike issue: Your right to manage**

Steel dispute brings a showdown in effort to set limits of union sphere of action; conflict involves all businessmen

**54 Yardstick for future managers**

New performance goals and methods for gauging managers are coming. Test questions show how your men measure up

**60 Inflation: Where blame belongs**

Businessmen, on the whole, don't cause inflation. This is shown by a study of factors causing damaging price spirals

**66 Make your "no" creative**

Observing nine simple precautions will help you avoid pitfalls of mishandling the often necessary negative answer

**69 New trends in right to work**

These union efforts to get around curbs on forced membership are costly to employers and restrict workers' freedom

**72 Guides to career planning**

The nagging concern about whether one is in the wrong work can be alleviated by careful consideration of these points

**78 EXECUTIVE TRENDS: How to hold brainpower**

Many companies are reporting high turnover of top-talent managers; businessmen cite some reasons for worker apathy

**80 Hear and be heard—effectively**

A sound personal communications system is essential to job performance. Four steps help you build a stronger network

**84 Business can assure better colleges**

This program takes away the uncertainty over whether your dollars get full value in providing for improved education

**88 Let's act for the majority**

Adequate labor reform legislation, its need clearly shown by the McClellan hearings, is still possible this session

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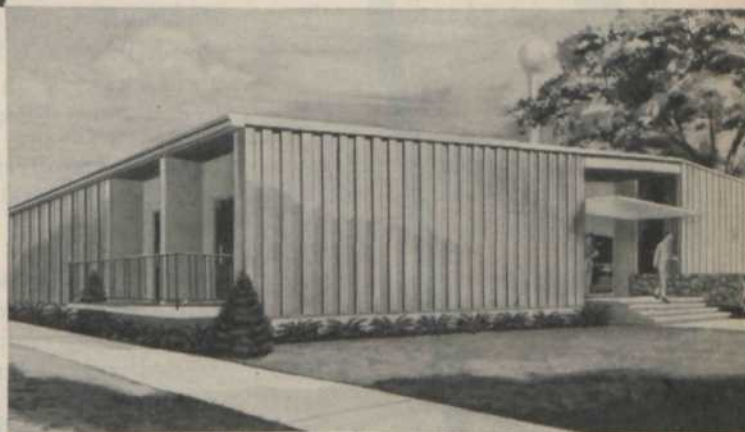
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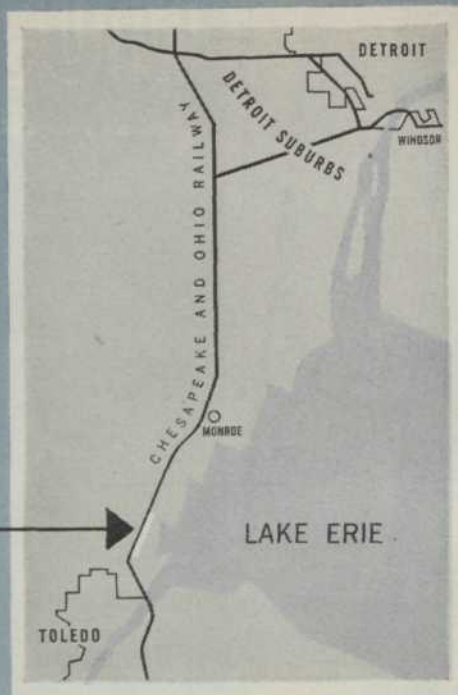
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# management's WASHINGTON LETTER

## ►FOR YOUR BASIC BUSINESS PLANNING:

Profits--outlook good.

Consumer demand--rising.

Prices--pressures hint new upward trend (creeping, not sharp).

Competition--hard now, harder in months ahead (why prices won't rise more).

Wages, other costs--rising.

Hours of work--average week two hours longer than year ago (means overtime pay, means less chance for many companies to boost output significantly without adding workers).

Technology--provides way to cut costs, raise volume output.

Plant efficiency--booming demand will push many companies past peak efficient operating capacity.

Interest--costs climbing.

What does all this mean?

Washington's top economists see booming business ahead (\$500 billion gross national product annual rate in about six months).

They see, too:

Good chance for plant and equipment spending to reach new peak next year.

Check further details on page 34.

## ►FEDERAL TAX OFFICIALS are looking hard at state tax collections.

Reason is that state collections keep going up--and increases are being felt by Washington.

New analysis indicates:

Federal revenue this year will be an estimated \$1 billion lower than it might have been if state tax collections were not going up \$3 billion.

What Treasury officials want is to avoid anything that curtails revenue.

## ►COMPARE SPENDING of your tax money with buying for yourself.

You'll see why state and local taxes keep going up.

This trend is unfolding:

State and local purchases of goods and services in '54 were equal to 11.6 per cent of total personal consumption.

Now they're equal to 14.1 per cent.

State and local buying this year will set a new record--probably \$43 billion.

That's up from \$27.7 billion in '54.

Know what you're getting for your tax dollars?

Much of the increase is for better roads and more education.

## ►WHO--OR WHAT--CAUSES price inflation?

Answer on page 60, where you'll find "Inflation--Where Blame Belongs."

## ►SOMETHING TO THINK ABOUT:

What's topmost business problem today?

How to turn cost trends around, says Washington economist.

This need to slim down cost trends is back of shifting emphasis in business spending for new plant and equipment.

Economist who works with these trends says:

Growing markets spurred most expansion during past decade.

Purchase of cost-reducing machinery will be prime future target.

He adds:

"You might say business during past decade spent for bricks and mortar.

"During future decade business will be spending a larger proportion of outlay for new and better machines to go into those buildings."

Do you agree? What are your views of today's topmost business problem?

NATION'S BUSINESS wants to know.

Address your comments to Management's Washington Letter, 1615 H Street N.W., Washington 6, D. C.

## ►LOOK AT WAGE FACTS:

Average factory pay was \$1.59 an hour in '50. It was \$2.07 in '57.

Now it's \$2.25 an hour.

Other wage facts:

Industrial pay went up four cents an hour during recent nine-month recession.

Wages rose another 12 cents an hour during first 12 months after economic upswing began in '58.

Hourly factory pay now is more than a nickel an hour higher than it was only last winter.

But that's average.

Wage hikes since last winter cluster around seven to nine cents an hour.

Two out of five workers have pay boosts of 11 cents an hour or more.

The future?

There's more to come.

## ►PRICE RISES WILL BRING higher wage costs before next snow flies. Here's



why: More than 4 million workers are under contracts with escalator clauses tied to Consumer Price Index.

One-point increase adds about \$200 million to total wage bill.

Three largest industries with escalators are steel, autos, railroads. Situation in steel is subject to new contract.

Here's picture in autos:

Adjustment is quarterly.

Next adjustment is Sept. 1, based on July 15 price index.

Auto workers haven't received a cost-of-living increase in either of past two quarterly periods.

Index of 124.2 will give about 1 million auto workers one cent an hour increase on Sept. 1.

Here's picture in railroads:

Adjustment is semiannual--one cent increase for every half-point variation in Consumer Price Index.

Next adjustment is Nov. 1, based on index of Sept. 15.

There was no increase at last adjustment date (May 1, based on March 15 index).

Index of 124.1 will give about 1 million railroad workers one cent an hour higher pay next Nov. 1.

Summary:

Wage costs for two industries alone will go up an estimated \$20,000 an hour by Nov. 1.

► CONSUMER PRICE INDEX plays part in Administration's decision to press harder for higher tax on gasoline.

Here's background plus untold story:

President last January asked Congress to pass 1½ cents per gallon gas tax increase (raising total federal tax to 4½ cents).

Congressmen were reluctant to do so.

One reason:

Issue is controversial in state capitals.

Some states want to boost their own tax on gasoline, think it'll be harder to do so if federal tax goes up.

(Total taxes collected in some areas already are 9 cents per gallon.)

Tax boost was needed, President told Congress, to match income with scheduled outgo for highway program.

Roads program had been stepped up to

speed the nation's economy from '57-'58 slump.

Now something has to happen.

One alternative:

Let federal program slip back to pre-recession spending schedule.

But that alternative--as others are--is controversial.

Industry says enough road taxes already are being collected to finance stepped-up highway building if all taxes are put in highway fund.

Consumer Price Index?

Unpublished government study indicates that a large proportion of recent price index increases are due to higher sales, cigaret, telephone--and gas taxes.

Raising federal tax another 1½ cents per gallon would hike the index again.

Higher index would cause wage increases for many employees working under contracts with escalator clauses.

At first the Administration held back on plans to launch a new push for the tax increase.

Then further study revealed the prospect that the Consumer Price Index was likely to go up anyway.

Next a government survey found that 10 states--unless new money was forthcoming--would have to curtail highway programs by early fall.

By next summer 16 more would reach a dead end and additional 11 states would run out of interstate funds soon after.

Total effect would be that all interstate road work would stop in 36 states within a year.

That's when plans to push through some kind of legislation were dusted off.

► NEW INFORMATION ON PROFITS will become available soon.

Watch for revision downward of total profits expected for '59.

Analysts spot new trend showing up as more details become available.

What they see is this:

Annual rate of \$45.2 billion was recorded for profits during final quarter '58.

Now that fuller information is coming in, the figure is being revised downward to \$44.5 billion.

First quarter '59 earlier was thought to be at \$47 billion annual rate.

It's coming out about \$46.5 billion



now, maybe not that much.

Looking at other indicators, government official tells NATION'S BUSINESS:

Outlook of \$50 billion profit for '59 appears optimistic.

Earlier guess of \$47 billion now looks more realistic.

Note:

This trend alarms high officials who've been counting on higher profits to balance '60 federal budget.

If profits don't improve as much as expected, Eisenhower Administration will mark up another red-ink year.

As of now, officials think there'll be about \$70 million surplus--regarded as too close for comfort.

►WHAT UNCLE SAM COLLECTS from your profits will soar to highest peak in any case.

Tax collections from corporate profits for fiscal '60 will approximately equal all federal government receipts from 1789 until beginning of World War I.

The amount?

Previous record collections:

'51 and '56, each with \$22.4 billion taxes paid by corporations.

Chances are good this year's taxes will exceed those records.

►REVENUE DURING SIX MONTHS AHEAD will fall short of federal spending.

That will put U. S. further in debt (reason for new temporary \$295 billion debt ceiling).

Cash flowing into the Treasury during next half year--first half of calendar '60--will speed up, will exceed cash outflow.

Result:

About a year from now the federal debt will be back about where it is now (\$286 billion).

Note: Debt rose during past year when Uncle Sam spent in 12 months what it took 14 months of tax collections to equal.

►HERE'S A FLASH on federal expenditures and tax collections for fiscal '61.

Although current year has 11 months to go, government agencies already are busy on program planning for next year.

What analysts see for spending:

Momentum in government programs

already going will carry '61 spending up another \$2 to \$3 billion.

That means \$80 billion or more going out of U. S. Treasury next year.

Compares with probable \$78 billion this year, \$81 billion for year just ended.

Why spending will rise next year:

Higher costs for interest on federal debt, farm programs, veterans benefits, water resources programs, space, education, aviation, defense, research, and so on.

►TAX COLLECTIONS for year ahead:

Revenue will rise to neighborhood of \$81 billion, maybe little above that.

Compares with probable \$78 billion tax collections this year, \$68 billion last year.

Why collections will rise:

Improving business conditions, higher personal incomes.

Administration's goal:

Chances now look good for President to submit '61 budget next January with an estimated \$1 billion surplus.

►CONGRESSIONAL SPENDNIK STRATEGY hides spending sprees of future years.

Here's how it goes:

When current session was younger, many close observers of Congress thought it was loaded with spenders.

But congressional leaders wanted to avoid spender tag, wanted no blame for inflation, decided to hold appropriations down.

Next news you hear from Washington will say Congress voted less money than the Administration requested.

That's probable tally that can be shown after Congress adjourns (probably in early fall).

Are spendnik pressures still alive?

Analysis shows:

If all proposals before Congress were passed, spending would rise \$30 billion, taxes would go down \$10 billion, spreading deficit gap to \$40 billion for year ahead.

These proposals won't die when session ends.

Many will top the list on next year's congressional calendar.

See comments by Budget Director Maurice Stans on page 27.



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## Business opinion:

# Under Secretary amplifies answer on taxes

IN THE COURSE of putting the interview with me in type for your July issue, a phrase was dropped from one of my answers leaving an incomplete response. My answer to your question, "Would closing loopholes permit lowering of rates?" included the following sentence: "For example, the average tax collected from individual taxpayers runs between 13 and 14 per cent of their adjusted gross income." My reply, as printed, omitted the phrase "of their adjusted gross income." I am concerned that some might read the sentence which was printed to mean that the tax paid by individual taxpayers is only 13 or 14 per cent of taxable income. Personal income taxes actually paid total about 23 per cent of net taxable income.

FRED C. SCRIBNER, JR.  
Under Secretary of the Treasury

## Health insurance for aged

The article entitled "Debate Over Health Insurance Affects You" (July) implies that the health insurance industry has only recently begun to develop programs of coverage for our senior citizens.

Such provision has been a matter of continuing interest to Blue Shield. Blue Shield Plans took steps many years ago in this connection by permitting members to continue their Blue Shield coverage after retirement. In fact, in 1957, membership of persons over 65 years was 2.5 million, or about six per cent of the total enrollment in Blue Shield. It is of particular interest that while total Blue Shield enrollment for the six-year period ending in 1957 increased by about 85 per cent, the number of persons over age 65 covered increased 170 per cent.

The various Blue Shield Plans and their sponsoring medical societies have made excellent progress in implementing the Dec. 4, 1958 American Medical Association resolution calling for the development of medical care coverage for the aged by voluntary means.

A recent survey by the National Association of Blue Shield Plans revealed that almost all of the 65 Blue

Shield Plans in the United States are taking steps to provide programs for senior citizens and 24 Plans have already announced that they are enrolling persons past 65 under special contracts designed for the aged. The approach of these plans can be classified in three categories: 1) the development of new contracts designed specifically for persons over 65; 2) the modification of present contracts; 3) the elimination of age limits on existing nongroup contracts to members of the general public who are not eligible to join through their places of employment.

JOHN W. CASTELLUCCI  
Executive Vice President  
Blue Shield Medical Care Plans  
Chicago, Ill.

## Engineers explain

The article, "Make Words Fit the Job," in the July issue, has the following statement: "Calling a man a Sanitary Engineer instead of a Garbage Collector doesn't change his duties, but it does change the way he feels about them." It also contains a cartoon showing a man feeling very proud of the new title of Sanitary Engineer instead of the old one, Garbage Collector, and the cartoon has the caption "How right label helps."

I should point out to you that sanitary engineers have had an important part in the improved health and welfare of the country and of the world. To become a sanitary engineer it is necessary to go to college at a recognized engineering school and take a prescribed course of instruction and then to be recognized in the profession, to have had a number of years' experience on highly technical works in the field of water supply and treatment, sewage treatment, air pollution control, malaria control, and many other related fields. You might also be interested to know that there is now an organization called the "American Academy of Sanitary Engineers" which conducts examinations for properly experienced people to determine whether or not they should receive the distinction of receiving a diploma from the academy. This enterprise is sponsored by the following





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American Institute of Chemical Engineers

You may gather that these respected organizations consider the term Sanitary Engineer to be a cut above that of Garbage Collector.

One of the problems in receiving recognition by engineers is that the word engineer and its allied descriptive words have been so misused. Maybe it is the engineer's fault for not making the public more aware of his importance in our society, but I do think that you have goofed on this one.

L. K. CRAWFORD  
Crawford, Murphy & Tilly  
Consulting Engineers  
Springfield, Ill.

►Our apologies to all sanitary engineers.

### Testing initiative

I found the article "Five Tests for Initiative," in the June issue, very informative and worth while.

O. W. NESTOR  
Personnel Director  
Sperry Electronic Tube Division  
Sperry Rand Corporation  
Gainesville, Fla.

Mr. Odiorne expressed the beliefs and policies which we feel are necessary to good management and selling in a remarkably clear and easily understood manner.

A. S. NAPIER  
Singer Sewing Machine Company  
Nashville, Tenn.

I was particularly impressed with your article, "Five Tests for Initiative."

CHARLES SPIETH, JR.  
Colonel, USAF  
Headquarters Strategic Air Command  
Offutt Air Force Base, Nebraska

Because of the enthusiastic interest in this article, it was agreed that a much broader distribution should be made among our supervisory group. Therefore, it would be appreciated if you would send an additional 70 copies.

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I read "Five Tests for Initiative" and would like my men to read it. I find your magazine valuable in connection with our sales work.

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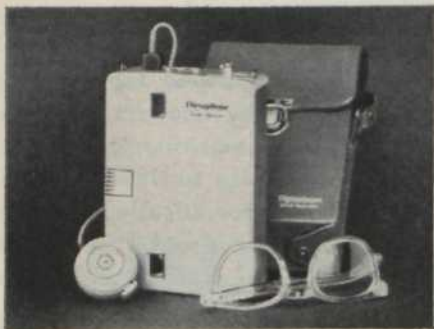
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## Old laws boost wage costs

WHILE PRESIDENT EISENHOWER is urging economy in government and restraint in boosting wages, two depression-era laws are raising both wages and the cost of government.

This pulling at cross purposes within the federal government is caused by the Davis-Bacon and Walsh-Healey Acts.

The Davis-Bacon Act requires payment of prevailing local wages, as determined by the Secretary of Labor, on government construction contracts of more than \$2,000. The Walsh-Healey Act authorizes the secretary to establish pay levels in line with minimum wages prevailing in industry for workers employed on government supply contracts of more than \$10,000. It also sets standards for overtime pay, child labor, safety and health conditions.

Government contracts totaling approximately \$15 billion yearly are signed under the provisions of these acts. Businessmen and contractors charge that the secretary frequently sets wage rates higher than those actually prevailing in the industry or locality involved. As a result, pay levels are forced upward.

Despite the Administration's position on cutting costs and keeping the lid on wages, Labor Secretary James P. Mitchell on March 5 issued an industry-wide pay determination for flour milling under the Walsh-Healey Act. The minimum hourly wage was set at \$1.30. Labor Department figures show that this will require 55 per cent of the mills in this country, employing 30 per cent of the mill workers, to raise their minimum wage if they wish to bid on government contracts.

Flour milling is the forty-ninth industry in which the Labor Department has made minimum wage determinations under Walsh-Healey and the forty-third in which a single minimum wage is applied to the entire industry. Such industry-wide determinations are made with apparent disregard for pay differentials in various sections.

Adding to the upward spiral are many of the pay determinations the Department makes on construction contracts covered under the Davis-Bacon Act.

"There is no doubt that the Davis-Bacon and Walsh-Healey Acts work a hardship on the government and on the businesses they cover and are, therefore, adverse to the interests of the general public," according to Democratic Rep. Phil M. Landrum of Georgia, chairman of the House Subcommittee on Fair Labor Standards.

Representative Landrum says that his subcommittee will make a thorough investigation of both of these acts in the next session of Congress.

"The Davis-Bacon Act is throwing construction wages completely out of line in many localities, particularly in the field of highway construction," the congressman says. "The tendency seems to be to fix wages at a higher level than that prevailing where the construction takes place.

"Both acts need overhauling, and repeal should be considered because the Fair Labor Standards Act accomplishes the same general purpose."

The Davis-Bacon and Walsh-Healey Acts were passed to meet the economic pressures of the 1930's. Davis-Bacon was passed in 1931 to protect local wage rates and prevent out-of-town contractors from bringing in cheap labor to underbid local people.

Walsh-Healey followed in 1936. Its purpose was to use the leverage of the government's purchasing power to raise labor standards. Two years later Congress passed the Fair Labor Standards Act, which encompassed more broadly the ground covered by Walsh-Healey.

John L. Kilcullen, Washington attorney who formerly served with the Labor Department in administering the two laws, points out that they have increased the cost





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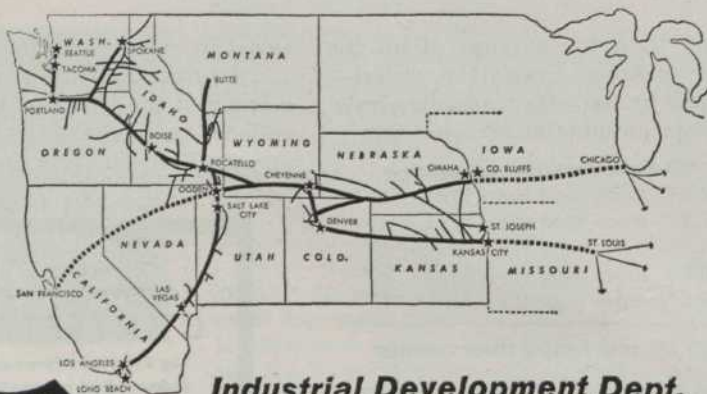
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## LAWS BOOST WAGES

*continued*

of government by raising the prices at which the government must contract for construction and supplies. He adds that they place inflationary pressures on industry as a whole.

Mr. Kilcullen, who also served as associate general counsel for the Department of Commerce, estimates that the Davis-Bacon Act will add as much as \$6 billion to the cost of the current federal highway program.

In setting wage levels which government contractors must meet, the laws short-circuit the traditional concept of collective bargaining and suppress wage competition within industry.

Court review of Walsh-Healey decisions was established in 1952 by the Fulbright Amendment. The Secretary of Labor's determinations under Davis-Bacon are final. Because violations of either law can mean blacklisting from government contracts for three years, the absence of judicial relief in the case of Davis-Bacon can be serious.

A large Florida construction firm was the successful bidder on a \$400,000 contract to build a rocket-launching site at Cocoa, Fla. After construction began, the government contracting officer questioned the job classification of four employees. Wages in dispute totaled \$1,800.

The company filed a brief supporting its position. The next communication received was a notice that it was being placed on the blacklist for violating the Davis-Bacon Act. Seventeen months passed during which the firm was unable to obtain even FHA-insured mortgages for other projects. Then, after a Labor Department hearing, the firm's name was removed from the blacklist.

In addition to imposing "artificially high labor costs" in public construction, the Davis-Bacon Act is "a blind for union activities which foment labor conflict, work stoppages and waste," according to Charles A. Horsky of Washington, D. C., a member of the American Bar Association's Committee on Federal Labor Standards Legislation.

"In recent years the Davis-Bacon Act has been an effective weapon in the hands of building trades unions in their jurisdictional disputes with the industrial unions," Mr. Horsky says.

The act's influence has not only





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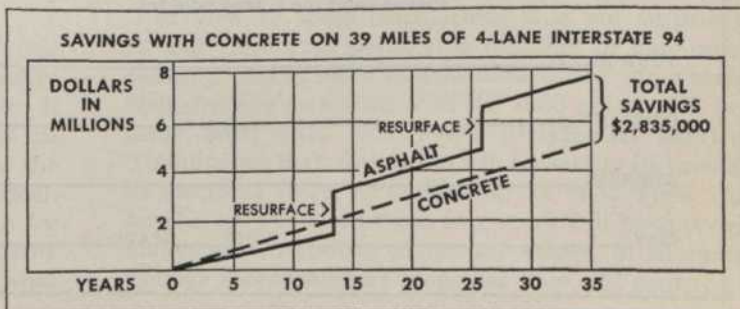
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A graph of total costs (amortization of first cost plus surface maintenance) is shown for concrete and asphalt designs considered for first section of North Dakota's Interstate 94. Routine maintenance figures are based on averages from 28 reporting states. Asphalt resurfacing schedule is based on Bureau of Public Roads life expectancy studies.

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## LAWS BOOST WAGES

*continued*

extended from the usual government construction projects to the federal highway program, but also is affecting a large proportion of the government's defense production and atomic energy programs, he adds.

A recurring problem to corporations operating atomic energy projects for the government is the continuing effort of the building trades to take over from plant maintenance crews all construction-type operations in maintenance and repair.

The government's Savannah River atomic energy operation shows one result of applying Davis-Bacon in such a situation. It was determined that certain work within a radioactive area came under the Act and that an outside contractor must be hired.

The safety factor limited the period a man could work in the area to 10 minutes a day. If plant maintenance forces had been used, the whole force could have been run through 10 minutes at a time and then sent off to other regular work. Hiring an outside contractor meant that the construction employees worked 10 minutes each day and received standby pay for the remaining seven hours and 50 minutes.

The apparent tendency of the Labor Department to apply pay rates and job classifications from nearby metropolitan areas to many projects in rural districts under Davis-Bacon has caused several small towns to refuse federal funds for hospital construction rather than incur the added expense of big-city wages.

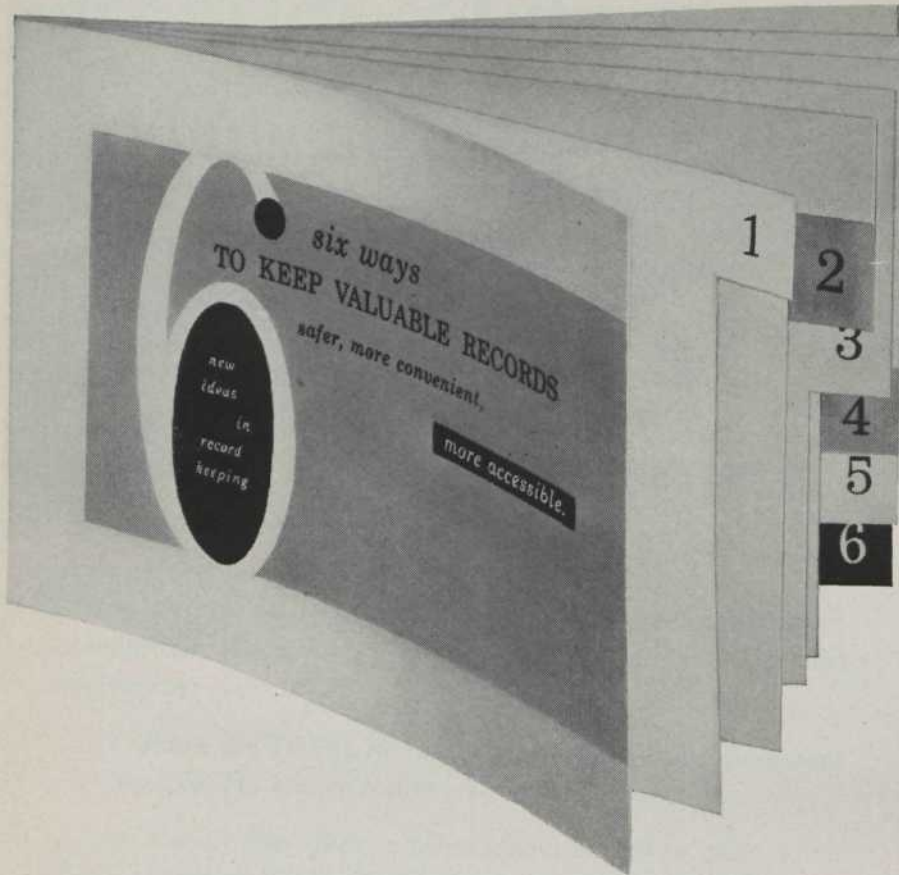
Business associations have asked Congress to repeal these laws or at least amend them substantially. The AFL-CIO would like to see coverage broadened.

The business position is summarized by the United States Chamber of Commerce, which says:

"The retention of the minimum wage provisions of the Walsh-Healey Act and the Davis-Bacon Act can no longer be justified by considerations affecting the public interest.

"Such provisions should now be repealed in view of the subsequent enactment of the Fair Labor Standards Act which aims at broad coverage of industry generally.

"There is no justification for imposition of different, conflicting and overlapping statutory wage standards on American business." **END**



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# The state of the nation

By Felix Morley

## California politicians look toward 1964

THE NEW JET AIRLINERS now speed the traveler from Los Angeles to Friendship Airport—between Washington and Baltimore—in four and one-half hours flying time. Many, like myself, can recall when it seemed a real accomplishment to go from New York to Washington that quickly.

But it is not only in time of transit that California is drawing so close to Washington. As a result of its enormous population growth the Golden State is now fast catching up in political influence also.

To revisit the West Coast, even after an interval

is now barren canyon country northeast of booming San Diego.

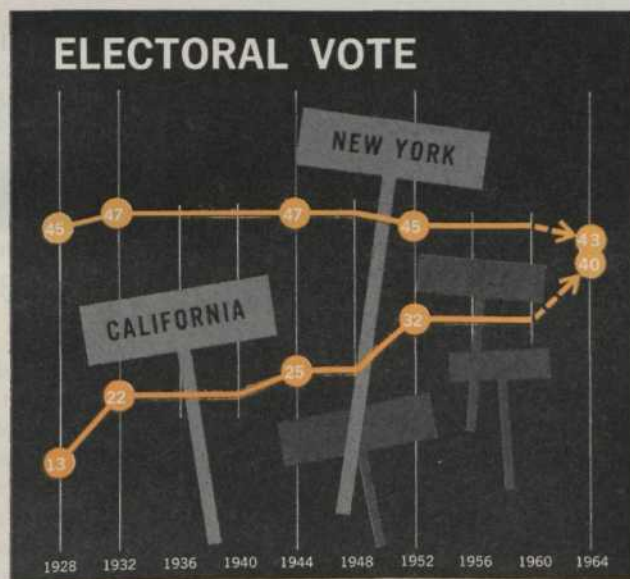
The population of California, you are proudly told, will by the end of this year pass 15 million, exceeded among all the states only by New York, and there by a small and ever decreasing margin. The boast has implications which Californians are happy to explore for the eastern visitor, in terms of presidential politics.

In the Electoral College, which actually chooses our Presidents, California as recently as 1928 had only 13 votes, as against 45 then for New York. By 1948 the figures for the two states were respectively 25 and 47, California having risen from a humble position, below Georgia, to tie with Ohio for fourth place. Now California has 32 electoral votes, tied with Pennsylvania, to 45 for receding New York.

• • •

After next year's decennial census the spread will certainly be further reduced. Redistricting on the basis of the 1950 census gave California seven additional seats in the House of Representatives, while New York was losing two and Pennsylvania three. It is expected that California will gain eight more congressmen by the 1960 census, and consequently that many more electoral votes. Of this increase, it is believed, certainly one and perhaps two votes will again be at New York's expense. Thus, after 1960, California expects to have 40 electoral votes as against 43, or at most 44, for New York. By 1965, projections indicate, California should pass New York in population and, as a result, in political influence.

In view of these calculations it is not surprising to find California politicians thinking in long-range terms, probably more so than those of any other state. Redistricting to accord with the 1960 census will not come until after next year's presidential election. To influence that, California will have only its present 32 electoral votes, as against 45 for New York. But for the 1964 election these two states will be approximately equal, and far above any others, in Electoral College representation. Together they will control 16



of two years, is to see impressive evidence of this development on every hand. San Francisco is steadily surrounding the bay which once surrounded it. If smog and traffic congestion must eventually put an end to the spectacular spread of Los Angeles, the limit is not apparent yet. Down toward the Mexican border they have just completed detailed plans for building a wholly new university of 25,000 students—the University of California at La Jolla—in what



## TRENDS continued

per cent of the total presidential vote. From this it is reasoned, by leaders of both parties, that the presidential candidates selected next year must in both cases be men who will prove acceptable to California in 1964. It is assumed that the winner will run for a second term. And while it is admitted that a President may be chosen in 1960 without California's 32 electoral votes, it is incontestable that his re-election in 1964 would be considerably less likely if California then cast 40 votes against him.

So far as the Republican nomination is concerned, all this is highly favorable to the chances of Vice President Nixon. But none of the currently outstanding Democratic contenders fits smoothly into the California framework. It is that fact which makes the shrewd tactics now being followed by Gov. Edmund G. Brown of more than parochial interest.

Popular "Pat" Brown, formerly Attorney General of California, became nationally prominent when he so easily overwhelmed veteran Senator William F. Knowland, in every section of the state, in their gubernatorial contest last November. During the important session of the legislature, which adjourned June 19, Governor Brown demonstrated a political adroitness that won praise from many of his political opponents. The powerful Los Angeles Times, whose Republicanism is not suspect, recently carried an editorial entitled "Edmund G. Brown For President?" It answered the one question with another: "After all, why should not the Governor of California look upon himself as a man of destiny?"

For those observing the spectacular progress of that state, this question is something of a poser. To laugh it off is impossible, in view of the Governor's accomplishments at Sacramento. For instance, after a decade of bitter wrangling on the issue, he sponsored and put through a state-wide \$1.75 billion water resources and development program generally accepted as both fair and forward-looking by all sections of the generally arid commonwealth. The magnitude of that achievement is best appreciated by those familiar with the traditional bitterness between the two parts of the state centering on San Francisco and on Los Angeles, a feud which "Pat" Brown refuses to recognize and is doing much to heal.

More directly political was his success in getting the legislature to eliminate the system of cross-filing which has characterized and confused California politics since its establishment by Hiram Johnson nearly 50 years ago. Now the California voter can no longer freely cross party lines in a primary election. This means that the temptation for popular candidates to seek the nomination of both parties is also at an end. Restoration of the conventional system gives a distinct advantage to the more powerful political organization, which in California is at present unquestionably that of the Democratic Party. Its advantage will become apparent when the presidential campaign goes into high gear, immediately after the

Democratic National Convention which, again with Governor Brown's blessing, will be held in Los Angeles. Another achievement by the governor during the recent California legislative session was the more subtle because negative in its outcome. There is no question that Mr. Knowland was so badly beaten by Governor Brown last year because the senator pinned his campaign to promotion of a state "right to work" law. Because of this, organized labor rolled up for Candidate Brown in regiments. Meeting the subsequent charge that he is "union-dominated," the governor sponsored a moderate "union reform" bill, on



*Popular Pat Brown will swing power in choosing of 1960 Democratic candidate*

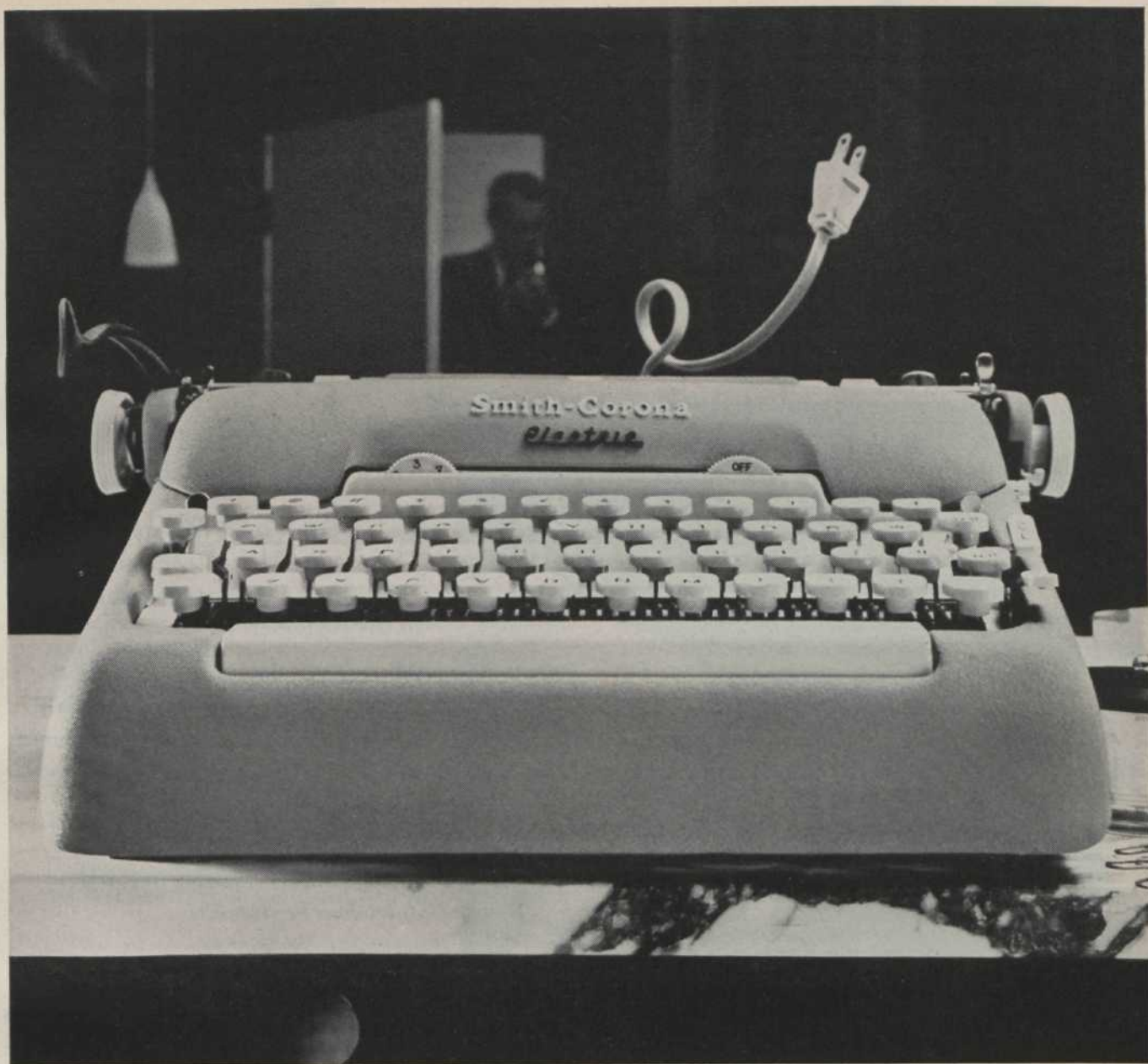
which he was opposed by the AFL-CIO. The legislation failed, but with it has also failed the effort to picture Governor Brown as a labor stooge.

On the other hand, the governor went along with the unions in successfully backing their drive to raise unemployment relief compensation from \$40 to \$55 a week, and its term from 26 to 39 weeks, a law not likely to lessen the pull of California for workers already attracted by its other amenities. He is also proud of a "fair employment practices" act which indicates he feels strong enough to risk the displeasure of southern delegates at the Los Angeles convention.

This legislative accomplishment involves a record budget of \$2.2 billion, with higher state taxes including a new levy of three cents on every pack of cigarettes. But his control at Sacramento also explains why Governor Brown has felt able to warn all other Democratic aspirants to keep out of California's Presidential primary next June. That means the governor is already sure of a solid favorite son vote on the first ballot at the Los Angeles convention.

What happens thereafter is beyond present prediction, even in a state which has great faith in the assurances of astrology. There are those who think that Pat Brown—a Roman Catholic—will eventually be found in second place on the Democratic ticket. But almost as many maintain that this popular governor will more directly try to pull the rug from under his fellow Californian, if Vice President Nixon is destined to be the major Republican candidate.





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# Washington mood

By Edward T. Folliard

## Sound dollar aim unites political rivals

THE EIGHTY-SIXTH CONGRESS, now driving toward adjournment of its first session, has been the target of a strange attack, with both Republicans and Democratic "liberals" firing away at it for different reasons.

Not since Harry S. Truman, in the 1948 campaign, called the Eightieth Congress a "do-nothing, good-for-nothing Congress" (which it certainly was not) has the national legislature been the subject of such a noisy debate.

The Republicans criticize the Eighty-sixth, not for what it has done, but for what they say it would have

much to brag about, then neither has it done anything to cause deep concern among the great mass of Americans.

When it convened in January, with the most top-heavy Democratic majorities since New Deal days, there were predictions that it would be so rambunctious that President Eisenhower would have to spend much of his time vetoing its legislative output.

The Eighty-sixth hasn't been that way at all. Generally speaking, it has followed the two Texans who lead the majority, Sen. Lyndon B. Johnson and House Speaker Sam Rayburn. They are classified as moderates; their course is usually the middle way. (That's what Democratic National Chairman Butler and the ADA complain about.)

The President, so far in this session, has vetoed only four bills, including his July 7 veto of the housing bill, a measure which the Johnson-Rayburn leadership had watered down so much that Democratic liberals cried out in protest. Four vetoes is really a modest score, especially where the President is dealing with a Congress dominated by the opposition.



*Paul Butler, left, attacks fellow Democrat Sam Rayburn for overconservatism*

done had it not been forestalled by President Eisenhower and his G.O.P. cohorts on Capitol Hill.

Some Democrats—including those in Americans for Democratic Action and Democratic National Chairman Paul M. Butler—find fault with the Eighty-sixth for being too conservative, for failing to engage the Chief Executive in battle.

In any dispassionate appraisal of the Congress, this would have to be said about it: If it hasn't done very

The question now being debated—and likely to be debated all the way into the 1960 campaign—is this: What happened at the Capitol after January? Who, what, caused the Eighty-sixth Congress to behave as it has?

Before getting into the politics of the matter, it is clear that economics had most to do with it. The exuberant recovery in business and industry almost certainly brought a spirit of moderation to Capitol Hill.

It has to be remembered that all of the House members and a third of the Senate (with Alaska excepted) were elected on Nov. 4, 1958, when the recession was still much on the minds of American voters. Undoubtedly, many of the triumphant Democrats in the North owed their election to that recession. Consequently, it was expected that they would



come to Washington with one overriding thought—to deal not only with the 1957-58 slump but with any that might occur in the future.

However, by the time they arrived here in January, the back of the recession was broken.

Within six months the gross national product was up from an annual rate of \$430 billion a year to an estimated \$480 billion; personal income was up from \$351 billion annually to \$380 billion; unemployment had dropped from 5.4 million to 3.7 million, and the economic future seemed bright.

Naturally, this rebound had a sobering effect on Congress.

The Republicans grant this, but they insist that it is not the whole answer—that President Eisenhower deserves much of the credit for making Congress behave. They say that he rallied the country behind his own philosophy and forced the Democrats to abandon most of their ambitious spending programs.

Sen. Thruston B. Morton of Kentucky, chairman of the Republican National Committee, has given both the President and the business upturn credit, saying:

"The Democrats are retreating from many of the



*G. O. P. Chairman Thruston Morton credits President, upturn, for halt to spending*

big spending bills which they put forward only a few months ago as indispensable to the welfare and future growth of the nation. . . . By their actions, they have conceded that further erosion of the buying power of the dollar would be disastrous and that inflation is not—as many Democratic spokesmen had argued—a piddling price the nation must pay for further economic expansion.

"The hum of the nation's factories, turning out the greatest volume of goods ever, has drowned out the earlier demands of Democrats for make-work projects. . . . It seems to me that the greatest Republican accomplishments of the year have been to alert the people of the United States to the dangers of inflation and to force many Democrats to agree that it must be checked."

The President thinks that a change has come over

the American people since the 1958 campaign. He believes that they are much more aroused now to the danger of government deficits and inflation, and he said so at a recent press conference.

He had in mind the speeches he made in last year's campaign and their failure to change the political tide. For example, on Oct. 20, 1958, he said in Los Angeles: "Either we choose left-wing (meaning Democratic) or sensible, forward-looking government; spendthrift government or responsible government. . . ."

Two weeks later, the Democrats swept the country. Nowhere did they roll up such a vote as they did where he spoke that night—in California.

Talking to reporters recently, the President said that the outcome of the '58 election led him to believe that the American voters were not much concerned about inflation.

"But I think they have changed their minds," he added.

Looking ahead to the 1960 campaign, the President thinks the Republicans have a winning issue in what he calls fiscal responsibility; or, as he likes to put it, a "sound dollar." He says that it is this that really divides the two parties.

Remaining to be considered are the two men who have been catching it from both the Republicans and disgruntled Democrats, Senator Johnson and Speaker Rayburn. Thanks in part to their leadership, the Democrats have captured Congress in three successive elections, 1954, 1956 and 1958. But not much is heard about that now.

Self-styled liberals among the Democrats have gone after the Texans for trimming legislation, reducing it to half-loaf size, in order to escape a presidential veto. They argue that it would be better, from a political standpoint, to let the President veto the legislation, and take the matter to the voters.

Then, the liberals argue further, the American people would have a better image of the Democratic Party and what it stands for.

Senator Johnson sees nothing wrong with compromising with the White House. He sees politics as "the art of the possible."

"We were not sent to Congress to paralyze government," he says.

The Texan believes that the Democrats will make a grievous error, and fall into a trap, if they let the Republicans have a monopoly on the sound dollar issue in 1960. He is convinced that in times like these moderation is the dominant sentiment in the United States, and he thinks that the party of Jefferson and Jackson ought to reflect it.

Vice President Richard M. Nixon, at present the front runner for the Republican presidential nomination next year, shares Senator Johnson's conviction about the mood of the country.

"I don't think either party could win with an extremist, whether of the left or the right," the Vice President says. "The middle usually prevails in the United States because extremists have one thing in common: they push too hard and drive reasonable, fair-minded people away."



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BETTER THINGS FOR BETTER LIVING . . . THROUGH CHEMISTRY



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# Act now to head off future spending sprees

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By **Maurice H. Stans**

Director of the Bureau of the Budget

The U. S. budget chief is in a key position to watch the political clashes over government fiscal affairs and to study the pressures for more and greater spending. Here's his advice for keeping those pressures under control.

BUSINESSMEN now have a chance to protect the country against higher federal deficits and debts, and even higher taxes. This year's battle for a sound budget was only a forerunner of coming struggles. The fighting will continue for several reasons:

- ▶ Government expenditure programs have a snowball tendency that builds bigger outlays the longer a program continues.
- ▶ Past commitments of the government leave only a narrow area in which there is an opportunity to economize.
- ▶ Pending multibillion-dollar spending ideas far exceed the most optimistic estimates of future revenues.
- ▶ Pressures for government spending are tremendous.

It is encouraging that President Eisenhower's determination to balance the budget has captured the interest of the public and that Congress has held the line on appropriations in some areas.

The crucial question now is: Will it last? Public vigilance must not relax once the fate of the 1960 budget is sealed, because the stresses on government finance are certain to be greater in the years ahead.

For this reason, it is critical that the keen interest of the public in this year's budget be widened.

Wholly aside from the particular budget results for any year, the issues affecting the nation's budget increase in magnitude. It is essential that certain issues be kept before the public, year in and year out. It is around them that public opinion must shape the course of events.

Are we, as a nation, prepared to tailor our wants to our means?

Do we recognize that deficit budgeting breeds acute indebtedness, voracious interest costs, and destructive inflation?

Do we realize that the cold war may burden our resources for many years at the expense of other desirable services and benefits—both public and private?

Do we realize our choice is between balanced budgets, debt and tax reduction on one hand or deficit spending and possibly higher taxes on the other?

Do we realize that we can't build a growing national economy from a deteriorating federal financial posture?

More than 80 per cent of budget expenditures is



## SPENDING SPREES continued

predetermined by either national security requirements, past commitments, or formulas fixed by statutes. The President, therefore, has little leeway left for budget-cutting. Pressure for new programs becomes stronger each year, and the need to agree on priorities of expenditure grows more pressing. Restraining spending becomes a matter of "birth control" in legislating new programs and realistic judging of some old ones under changing conditions. Trends already before us make it clear that all our problems will not be solved by balancing the one budget now before the Congress.

The hard fact is this: If Congress accepted every part of the President's program, following the overwhelming will of the country to balance the budget for fiscal 1960, there is enough built-in momentum in the \$77 billion budget to raise expenditures in fiscal 1961 and again in 1962 by \$2 billion or \$3 billion.

That means that, under legislative commitments already made, we are headed straight toward a budget of \$80 billion or more in 1961. As things look now, the cost of interest on the public debt will again increase in 1961. Farm programs will cost more. So will veterans' benefit payments. Water resources projects will take more money as work on them progresses. Outlays for new outer space, science education, and aviation programs will rise significantly. The problem of holding defense costs at their present levels or below becomes more and more difficult.

## Business can fill a critical need for factual information on the budget

This is why it becomes so important to think at least twice before we embark on new undertakings which harden and broaden the base of the budget.

The upward trend in costs of outer space exploration is an example. This program, to many Americans, symbolizes the contest with the Soviet. We are committed to a strong effort in this area, but there is real question as to how fast we should build up the program and the budget. Few taxpayers realize that the annual cost of the new space program in just a few years may reach \$2 billion or \$3 billion if the program is allowed to set its own level.

Here is an area of expenditure that needs to have a value placed on it by the taxpayers in the full knowledge of what lies ahead in terms of costs and taxes, and in relation to other priorities which are being pressed upon the federal government. Given these built-in pressures on expenditures which cannot help but be reflected in the 1961 budget, the difficulty of achieving a balance with revenues becomes apparent.

Present indications are for a continued but mod-

erate growth in receipts under present tax rates, possibly sufficient to cover the bulge in 1961 expenditures—if that bulge can be held to tolerable limits. The revenue outlook would, of course, be improved or downgraded by a sharp change in business earnings and employment over the next year.

Meanwhile, the political facts of life cannot be ignored, except with peril.

As large as \$80 billion budgets are, they still fall short of satisfying strong pressures within our society. Some clue to this is seen in the fact that there are bills in various committees of Congress with aggregate price tags that would increase government expenditures by \$30 billion annually while reducing its income by \$10 billion. A shift in public thinking could easily loosen some of these measures from their present state of suspension.

The key to balanced budgets after 1960 now becomes more readily visible. It is a question of reconciling desires for more and better public services with the ability to pay for them without either dangerous deficits or heavier taxes. This is the crux of the issue. Unless it is faced honestly, we will continue to drift toward increasingly acute budgetary crises.

Balancing the 1960 budget will prevent expansion of federal responsibilities for a host of domestic services. But if these are deferred for the time being, they will return another day with redoubled pressure for adoption. Many of them will have a strong appeal and bipartisan support. This, too, is inevitable as the country grows and its needs and wants change.

How much defense is a question that dominates the budget picture. Modern defense is at the mercy of a relentless weapons technology. The new weapons in turn force changes in long-accepted concepts of defense and war. Recently the Defense Department estimated that over the next five years property which cost the government about \$60 billion will turn up as excess, much of it to be sold for scrap prices. The lead time for weapons development and procurement is so great that, by the time billions are spent on a major new weapon, the concepts of strategy and arms technology have overtaken the situation and it is necessary to begin all over again.

Costs could run even higher if every concept of a versatile defense were supported with equal priority. Obviously, the Secretary of Defense and the President must decide what will produce the maximum results for the investment of funds and effort. As matters stand and will continue to stand for the visible future, defense overshadows everything else in the budget, and it is becoming increasingly difficult to determine budgetary requirements in the light of the complex factors which must be considered.

All this shows the urgency of critically examining every item of substantial cost in today's budget. On this score, the President has suggested 18 areas of federal activity for review and revision through legislation, to produce future reductions in the costs of government. An example is transferring to state and local governments the responsibility for building





FRED J. MAROON

“ Bills to raise federal spending by \$30 billion a year and to reduce income by \$10 billion are now pending before congressional committees ”

sewage treatment facilities and providing support for vocational education in the schools. In each instance, however, the resistance is formidable even though the proposal calls for turning over federal revenue sources to the states to finance the activities. Nothing is harder than to reverse long-established public policy, particularly where benefits of one type or another are affected.

Take the farm price support problem. This must be solved because the existing system continues—at the cost of the taxpayer—to create incentives for farmers to produce more than we can consume or sell. While we struggle for new formulas, farm technology outpaces congressional efforts to deal with it. A year from now, we will have more than \$10 billion worth of farm commodities on hand. We will be spending at the rate of \$1.5 billion a year just to carry and manage this inventory. The continued heavy cost of farm price support programs is one of the major reasons why the budget is so difficult to control.

Many other federal policies need overhauling. In the '30's, the government undertook to bring electric

power and telephone services at low cost to the nation's farms. The Rural Electrification Administration has, for more than two decades, successfully financed this program, and more than \$4 billion, loaned at two per cent, has gone into REA development. The question now should be whether the government should continue indefinitely to subsidize this program when the facts show that more than 95 per cent of our farms are receiving electric services and 75 per cent of new customers are not farmers.

Federal grants-in-aid are also open to reappraisal. There are more than 60 such grants—from urban renewal to vocational rehabilitation. If the highway program is included, this form of federal aid next year will total \$6.8 billion, an increase of \$2 billion in two years. To take only one of these programs—public assistance grants—federal budget costs run close to \$2 billion a year. This program began in the '30's on a basis of 50-50 sharing of costs between the federal government and the states. Through repeated changes in legislation, the federal government now pays 80 per cent

(continued on page 64)



# How to raise productivity 20%



BENYAS—BLACK STAR

A Nation's Business interview  
with  
**DR. RENSIS LIKERT**  
Director,  
Institute for Social Research

New theory of  
management leads to  
higher motivation  
and lower costs

A NEW THEORY of management is being constructed by social scientists on a foundation of research conducted by the University of Michigan's Institute for Social Research.

From the scores of probes over the past dozen years into leadership and organization practices a striking conclusion can be drawn: Today's traditional and accepted theories of management are inadequate. Not only that, managers who get the most from their people just don't operate the way the classical concepts and the rule books of many companies say they should.

In the next several years, vast changes may be made in management and organization procedures to get the higher productivity and performance shown possible under the new theory of management, some social scientists believe.

For an explanation of the research and its findings, NATION'S BUSINESS interviewed Dr. Rensis Likert, director of the Institute for Social Research. Here are his answers:

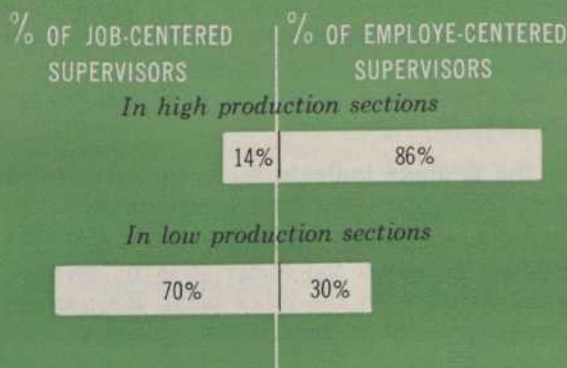
**Dr. Likert, you have indicated you are at the threshold of a new management theory. Can you say what principles are developing and how they can be applied by business?**

Yes, I can. But I would like first to give the background for that answer. The Institute for Social Research is composed of two divisions—the Survey Research Center and the Research Center for Group Dynamics. Both centers have engaged in research into leadership and management problems. Data have been obtained from tens of thousands of people engaged in practically every kind of work in such industries as automotive, chemical, heavy machinery, electronics,





*Supervisors concerned with employee problems are usually higher producers*



electrical appliances, food, insurance, petroleum, public utilities, railroads, textiles, even government agencies.

We tried to find situations in which everything was the same except productivity and leadership. Where we have not been able to find comparable units to study we have collected data from operations with different productivity. Here again we have been able to relate the kind of leadership, and the kind of organizational structure, to productivity levels. After a series of such studies we began to find certain consistent patterns between the leadership principles practiced by persons in charge of high-productivity units in contrast with low. We began experimentally to apply some of these findings to see what was cause and what was effect.

We tried to set up some experiments to find out what kinds of leadership would lead to increased performance, higher productivity, lower costs, lower waste, and so on. We're beginning to find that high producing managers are moving toward a more sophisticated, more powerful, more effective management system. We think our research can accelerate this development. Let me illustrate what I have in mind.

Most companies and government agencies base the bulk of their operations on standard operating procedures growing directly from principles and theory that say it's the responsibility of management to do these things: 1. Break the operation to be performed into its component parts. 2. Develop the best way to perform each part. 3. Hire people with the skill to do each component task. 4. Train these people to do their tasks in the specified best way. 5. Provide su-

pervision for these people to see that they do their tasks using the specified procedure and at an acceptable rate as determined by timing the job.

It is significant that supervisors who conceive of their job as pictured in number 5 are found more often to be in charge of low, rather than high, producing units. Studies in widely different kinds of work show this pattern.

Many people in management also feel that if they gave employees freedom to set their own work pace they would loaf or act irresponsibly. Actually, we find that the more freedom people feel to set their own work pace the more likely they are to be high in productivity.

The only situation we have found where freedom did not bring high performance is one where the job is poorly defined and the person has not been well trained.

Basically, I believe if you analyze the difference between high- and low-producing managers, you will find that the high producers are saying in effect that buying a man's time isn't enough.

Essentially the high-producing manager is hammering out a management system based on the philosophy which says:

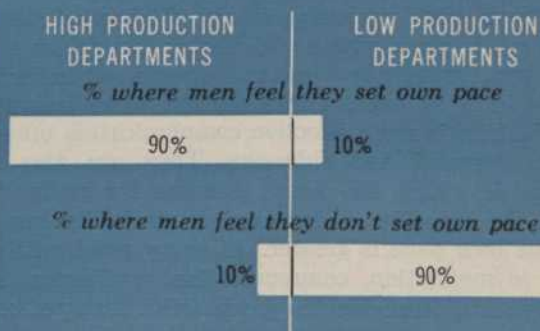
"Let's use these tools and resources in ways which permit us to tap all the major kinds of motivational forces affecting human behavior toward doing a job well."

#### **What elements of organization within a business are important in tapping these motivations?**

One of the important conditions is that every person in the organization should have experiences which increase the sense of his personal worth and impor-



*Men who feel they can set their own pace are usually higher producers*





tance. The desire to make a mark in the world, to have a feeling that what I am and what I do makes a difference is a powerful force working in every person. The managers who are getting the best results in American business are making use of this motivational force. They are finding that the work group offers an important opportunity for increasing the employee's sense of personal worth. If we build an organization in which each person is highly attracted to his own group, and feels valued by the group, there is high group quality. If each group has goals which represent high performance for their particular part of the total job the organization needs to do, we will then get the highest performance, lowest cost operation with the highest level of satisfaction on the part of all the people engaged.

there is fear and distrust between hierarchical levels. Our data show that, in achieving high group loyalty, each person in a leadership role—except the very top person—serves as a leader of one work group and as an effective member in another group. The person in that position then is performing an essential linking process.

When organizations are made up of high loyalty groups with high performance goals, and when the people in these groups also serve as links among the groups in which they work, we find these elements: Highest performance, the best communications, the greatest confidence, the most favorable attitudes and the highest levels of job satisfaction.

These are some of the kinds of results that are emerging in the research.

## Do the findings indicate the group composition or size which gives the best performance?

That's a complex question. We know that the smaller the group the easier it is to develop high group loyalty. On the other hand, it's necessary at times to coordinate more activities than two or three people can handle. So I think that the optimum size of the group will vary with the character of the operation, its level in the organization, and with other different dimensions. Much more systematic research needs to be done on this. At middle management levels there is some evidence that groups of six, eight or 10 may be about optimum. But this will vary widely with specific situations.

## Does your research throw some light on whether committee-type decision-making is good or bad?

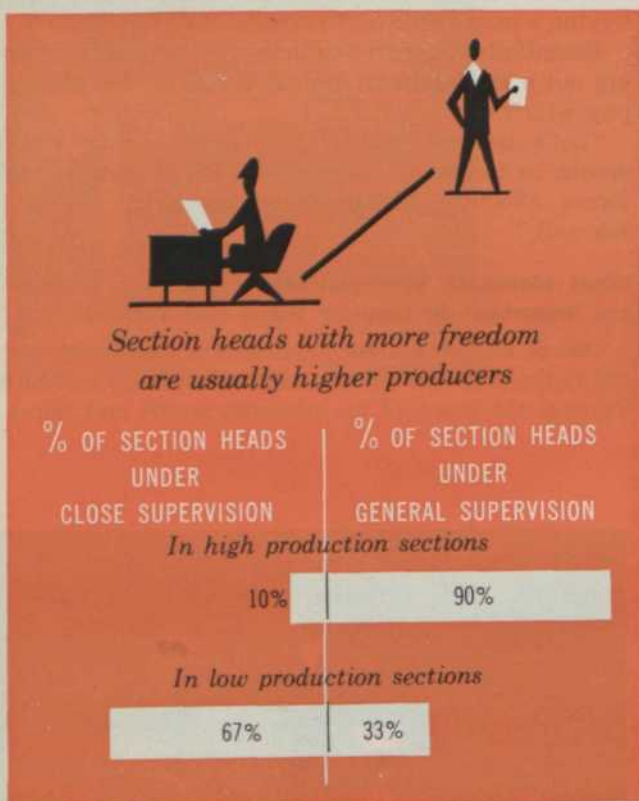
I believe our data would show that the group or team form of organization has advantages over what you might call a man-to-man pattern. However, it's important to emphasize that a system is no better than its execution. At present there is no doubt that many committees are being used by people who lack group skills and group leadership. Under these circumstances the operation is unsatisfactory.

As far as committees are concerned, if the man in charge does not accept leadership responsibility, he fails. It's a poor use of a powerful method. What needs to be done is to teach such persons how to use groups. Groups with high loyalty, good communication, and confidence can make decisions rapidly and effectively.

Some of the best managed companies are now using group methods at the top level of management, but they have not yet introduced these methods throughout their organizations. We find that the group process works just as well in performing functions on the assembly lines or in routine clerical operations, as it does at the top.

## In day-to-day management practices, how can a supervisor or manager apply some of these findings, and how can he get the most from his group of subordinates?

Several points are relevant. First, I'd like to make a statement or two about *(continued on page 40)*



It's significant that, when we look at the data, we find that in all kinds of operations high group loyalty tends to be associated with high performance. When loyalty is high not only toward other members of one's work group who are at the same level as himself, but toward the boss and toward subordinates, productivity is high. Those are the same groups in which there is more effective communication upward and downward and sideways. They are also the groups in which the direct pressure for production from the superiors is less and a man's freedom to set his own pace is greater. At every point with regard to motivation, communication, confidence, and cooperation, these are the groups with high performance.

The low performance groups are those in which



# CHANGE REQUIRES EMPLOYE SUPPORT

These six steps will help you meet resistance to innovation

CHANGING the established way of doing things should not be left to chance.

The results of ill-planned change are familiar to nearly all managers: shaken confidence, lowered morale—even outright resistance to the change desired.

How can you avoid the chancy approach to change?

The answer lies in realizing that no change can be successfully carried out unless management builds solid logical and psychological foundations for it.

The logical foundation usually is well designed and constructed. Most managers size up the situation regarding policies, methods, systems, procedures, and operations and arrive at decisions on what changes are needed to improve things. They review the situation, identify the trouble spots and the problems, consider possible solutions, select the one which is reasoned to be the best possible, and then take steps to effect the change.

It's all quite logical, and they are convinced that the sheer logic of the change should make it work efficiently.

The psychological foundation—the one concerned with employees and their possible reactions to the proposed change—is generally not so well designed or constructed. Employee anxieties, resentment, discontent, and resistance follow.

A positive approach in dealing with the problem of change and in building a strong psychological foundation for acceptance of the change with a minimum of employee resistance calls for these measures:

► **Identification**—having employees identify themselves with the problem at hand. Then they will be less concerned with the change that is required for its solution.

► **Reassurance**—relieving employee anxieties, tensions, doubts, fears, and sense of threat regarding the pro-

posed change and what it may do to them or their jobs.

► **Communication**—letting employees know in advance, getting across in understandable language, listening, answering their questions as candidly as possible, and obtaining more information as needed to clarify the proposal.

► **Participation**—utilizing employee ideas, views, suggestions, and criticisms concerning the proposed change, getting their reactions as to readiness and timing, giving them the feeling that they have some voice in regard to the change.

► **Mutual interest**—showing how the employees, as well as management, stand to gain.

► **Follow-through**—observing the im-

pact or effects upon the operations and employee attitudes and morale through a periodic check once the change has been made, and making adaptations as may be necessary.

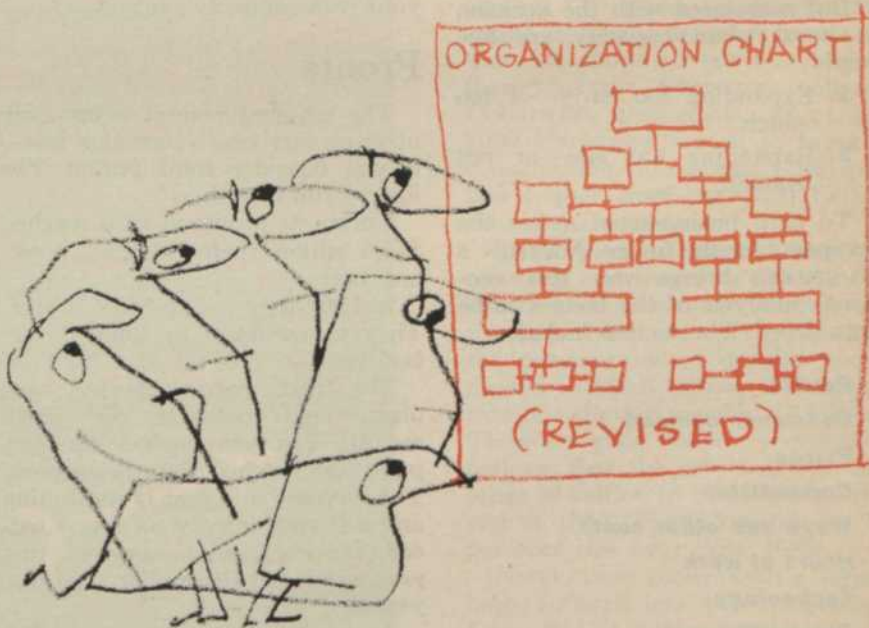
The threat of employee resistance to change generally grows out of our incapacity to deal with the psychological problems involved, or from boners in handling the change. In fact, the threat of employee resistance has become such a bugaboo that businessmen sometimes back off from the idea of the proposed change and put it in cold storage. This is no way to make breakthroughs in knowledge, operations, or new products or to improve the competitive stature of the company.

To the extent that this occurs, a manager should be held accountable for defaulting in one of his principal responsibilities: the responsibility to perceive correctly the need for a change and to execute the change in order to benefit the organization.

## Identification

Since change often means disruption and having to adapt to new ways, employees ask: "Is this change necessary?"

The important thing is to pave the way for employees to identify themselves with the problem. Being close to the operating scene they can generally sense whether there is a problem at all; and, if there is, whether  
(continued on page 57)



## IS THIS CHANGE NECESSARY?

Unwarranted changes sometimes keep employees in state of jitters. Result: mounting resentment



# Plan your coming growth

Profits for early 1960's hinge on steps taken now

MANY BUSINESSMEN will face a critical decision involving future profits in the next few weeks or months.

The decision will turn on this question:

When should our company expand—and how much?

At stake is the profitability of many companies—both large and small—in the early 1960's.

Wherever businessmen get together these days, the future is a keen topic for discussion. Nearly everyone sees the future as bright—"all degrees of up," one executive explains.

But associated with the decision to boost plant capacity are two perils:

1. Expanding too early—or too much.
2. Expanding too late—or not enough.

To help businessmen assess the prospects for the future, NATION'S BUSINESS brings you this economic analysis of the factors to be considered. The factors include:

## Profits

## Consumer demand

## Prices

## Competition

## Wage and other costs

## Hours of work

## Technology

## Plant efficiency

## Interest costs

The object of business, of course, is profit. The formula for a successful business operation is: Prices minus cost times volume equals profits.

Every businessman, regardless of

the size of his operation, essentially is working with this formula. Anything that happens, or is done, to raise or lower any part of the equation changes other parts.

For example, profits can be raised if prices can be boosted. You can also boost profits by reducing cost or by increasing volume.

This is an analysis of national trends affecting the various parts of the formula. What happens to the total economy cannot insure that all companies will share change alike.

It is helpful, however, to relate national trends to the prospects for your own company's future.

## Profits

The national average is up—way up from last year's recession low—if you consider total profits. The figures run like this:

Corporate profits in 1956 reached \$45.5 billion (before taxes), a record year.

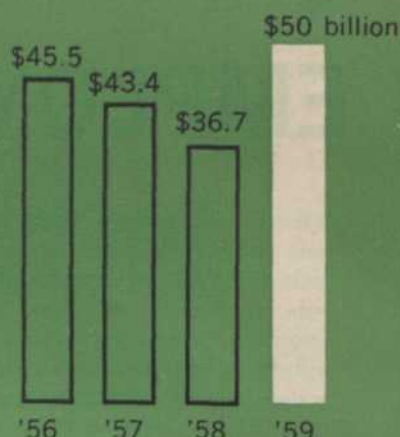
In 1957 they fell to \$43.4 billion. They nosed down to \$36.7 billion last year.

The rise, percentagewise, was phenomenal between the early months last year, when the low point was reached, and the present. The increase this year is continuing and will undoubtedly set a new record. Percentagewise, however, this year's rise will be smaller than last year's.

As for the future, the best economic chances being considered by economists in Washington, in consultation with business economists elsewhere, indicate that total corporate profits are now coming in at the approximate rate of \$50 billion. A slight dip is indicated for the third quarter, with a new increase

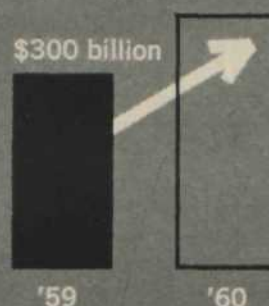
## Profits

outlook is bright

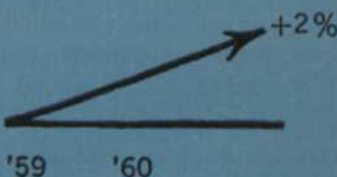


## Consumer demand

personal consumption spending will rise



## Prices



pressures hint new upward trend

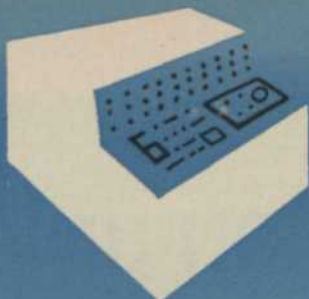


## Competition



challenge of  
new products  
and services will  
increase

## Technology



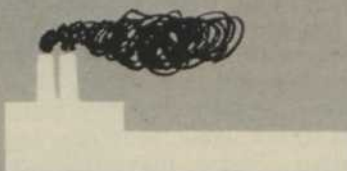
creative obsolescence  
is likely to  
raise output

## Wages—other costs

weekly factory pay  
is up \$9 during past year,  
more increases coming



## Plant efficiency



exceeding most  
efficient capacity  
increases cost

## Hours of work

increasing  
workweek  
means many  
companies are looking for  
ways to boost production



## Interest cost



higher rates  
aren't expected  
to curtail  
expansion plans

to a \$52 billion rate by the end of the year. Profits may average \$52 billion in 1960.

## Consumer demand

All the newest surveys point to rising consumer demand. This already has been reflected in total personal consumption expenditures, which passed the \$300 billion annual rate (for the first time) in the first quarter this year. Twelve months before, at the recession low point, the total was \$286.2 billion.

As for the future, conditions point to a greater increase. The coming Christmas season, for example, is likely to see a consumption rate about 5.9 per cent higher than the past Christmas volume. Dollarwise, economists expect the 1960 Christmas season to bring a consumption rate perhaps \$30 billion higher than the \$300 billion rate of early this year.

Durables dived most during the recession and therefore experienced the biggest percentage jump back. From the low point a year ago, when the consumption of durable goods dipped to \$35.6 billion, the annual rate has climbed roughly \$5 billion. There's a good chance, economists believe, that the rate will rise another \$6 billion to \$7 billion by the end of 1960. That's roughly an 18 per cent rise over early 1959.

Nondurable goods, with a larger base, suffered less, percentagewise. From \$141.4 billion in the second quarter last year, the spending rate has come back about \$5 billion. Chances are it may go up another eight per cent by the end of 1960.

Personal spending for services did not dip during the downturn. The past year's rise has been about

(continued on page 52)



# STATES MOVE ON UNION ABUSES

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*Many local laws aim to curb improper labor activities, but few of them do. Here's why*

STATES ARE PASSING more laws to deal with current labor problems while Congress moves slowly on corrective labor legislation.

Significant are new state laws which try to cope with union corruption and abuses of the kind exposed by the Senate Rackets Committee investigations and against which Congress is trying to legislate. These stand out:

- ▶ In New York, the first comprehensive labor reform act.
- ▶ In North Dakota, a law barring felons from holding union office.
- ▶ In New Mexico, a law against coercive picketing by a union that does not represent a majority of the employees.
- ▶ In Nebraska, a strong law against secondary boycotts.

Other states passed laws this year pertaining to fair employment practices, including discrimination because of age; minimum wage; equal pay for women, and other matters not involving unions directly. Many also improved existing laws, particularly with respect to unemployment compensation.

Right-to-work laws were an issue in some states, but none was passed or repealed (see page 69).

The general trend in union regulation was reversed in Oregon, where unions won repeal of a 1953 law against organizational picketing. The repeal climaxed six years of intense union political activity in the state which last fall changed the complexion of the Oregon legislature in labor's favor.

How effective these laws can be, however, will depend on congressional action. Congress has been re-

luctant to allow state law to apply in fields where it has legislated. This means that, if the business involved has any effect on interstate commerce, state statutes regulating strikes, picketing, secondary boycotts, labor disputes in public utilities and unfair labor practices are inoperative. States may regulate compulsory union membership and employee welfare and pension funds because the federal laws specifically authorize them to do so.

The result of federal preemption has been to create a no-man's land for labor disputes involving many small businesses. Neither the employer, the union nor the employees can get relief under law because the business involved does not have enough of an impact on commerce to warrant use of federal powers, and state law cannot be invoked because federal laws cover the same problem.

The Supreme Court noted that this situation would develop when it decided that a state may not apply state law even where the federal government declines to utilize an existing federal law. The court left it up to Congress to correct the situation.

Two proposals to end the no-man's land are pending in Congress:

The Kennedy labor reform bill, passed by the Senate, includes a provision under which states would be authorized to act in those cases which federal agencies declined to handle, but they would have to apply federal, not state, laws.

This has been criticized as unsatisfactory on at least two grounds: States will be reluctant to act as agents of the federal government;

the requirement that federal law be used in effect annuls the state law which might deal with a local situation more realistically.

The Smith bill, passed by the House in June, is designed to protect state laws against federal preemption. This measure is supported by the United States Chamber of Commerce and other business organizations. A companion bill was introduced in the Senate by Sen. John L. McClellan, Arkansas Democrat and chairman of the special rackets committee which has been exposing labor corruption and abuse of union power for two and a half years.

Under this bill a state law will not be superseded by a federal statute in the same field unless Congress specifically declares that to be its intent or unless the two statutes are in irreconcilable conflict.

The U. S. Chamber supports the bill because it would draw a sharper line between federal and state legislative authority and eliminate confusion that has hindered or prevented effective state action.

In opposing the bill, organized labor argues that it could bring confusion and chaos, could weaken federal authority, and could destroy legitimate labor activities.

In an analysis of federal-state relationships, the Bureau of National Affairs, Inc., a private labor relations service, points out some exceptions to federal preemption which permit states to act.

Two such exceptions are those permitting states to regulate compulsory union membership and employee welfare and pension funds. As a result, 19 states have passed right-



to-work laws making it unlawful to make employment dependent on whether a worker is or is not a union member. In a more recent development, six states have put laws on the books regulating welfare funds (see "New Welfare Fund Law Under Attack," NATION'S BUSINESS, December 1958).

States may also act against mass picketing, violence and certain coercive conduct under their police powers to protect the public.

State courts may award damages for injuries caused by unlawful union conduct.

California and Ohio have just passed laws against race discrimination in hiring, bringing the total number of states with fair employment practices laws to 18. Connecticut and Oregon have also made discrimination because of age illegal. If Congress passes a federal statute against discrimination in employment, these laws will be in jeopardy unless they are made an exception to the federal preemption rule.

Congress currently is debating the kind of federal law it should enact to deal with labor corruption and abuse of power. Discussion centers around:

1. Reform measures to regulate internal operation of unions and relations between employers and union leaders.
2. Measures to restrict improper union conduct, such as secondary boycotts and picketing to coerce recognition by an employer whose employees may not want a union.

This is what four states have done this year on these problems:

New York passed a comprehensive bill calling for certain reforms and North Dakota enacted a law setting up qualifications for holding union office.

Under the North Dakota law a person convicted of a felony cannot hold union office and any union having such a person in office loses its bargaining rights.

The New York law:

- Requires unions and employers to make annual financial reports to the State Industrial Commissioner.
- Puts union officials in a position of trust, with an obligation to subordinate their personal interests to those of the union and its members.
- Requires employers of 10 or more employees to report annually any expenditures related to interference with, restraint, or coercion of employees.
- Forbids employers, employer or

(continued on page 69)

## Here's what state labor laws attempt to regulate

	1 All strikes	2 Jurisdictional strikes	3 Public utility disputes	4 Picketing	5 Secondary boycotts	6 Unfair labor practices	7 Welfare plans
ALABAMA							
ALASKA							
ARIZONA				•	•		
ARKANSAS				•			
CALIFORNIA		•					•
COLORADO	•			•	•	•	
CONNECTICUT				•		•	•
DELAWARE							
FLORIDA	•	•	•	•			
GEORGIA				•			
HAWAII			•	•		•	
IDAHO					•		
ILLINOIS							
INDIANA			•				
IOWA		•			•		
KANSAS	•	•	•	•	•	•	
KENTUCKY							
LOUISIANA							
MAINE							
MARYLAND	•		•				
MASSACHUSETTS	•	•	•			•	•
MICHIGAN	•	•	•	•		•	
MINNESOTA	•	•		•	•	•	
MISSISSIPPI				•			
MISSOURI			•				
MONTANA							
NEBRASKA			•	•	•		
NEVADA							
NEW HAMPSHIRE							
NEW JERSEY			•				
NEW MEXICO				•			
NEW YORK						•	•
NORTH CAROLINA							
NORTH DAKOTA	•			•	•		
OHIO							
OKLAHOMA							
OREGON					•	•	
PENNSYLVANIA	•	•	•	•	•	•	
RHODE ISLAND						•	
SOUTH CAROLINA				•			
SOUTH DAKOTA				•			
TENNESSEE							
TEXAS			•	•	•		
UTAH	•			•	•		
VERMONT	•						
VIRGINIA			•	•			
WASHINGTON	•						•
WEST VIRGINIA							
WISCONSIN	•	•	•	•	•	•	•
WYOMING							



# HOW'S BUSINESS?

## today's outlook

### AGRICULTURE

It now appears that 1959 may fall short of last year's phenomenal record of crop production.

As of July 1 the U. S. Department of Agriculture estimated the all-crops production index at 113 (1947-49=100), compared to 118 in 1958 and 106 in 1957.

Although total planted acreage is up 10 million acres over last year, harvested acreage may be up only four million and the estimated average yield per acre is down nine per cent. However, the Department's estimate of crop yield on July 1, 1958 was identical to the same date this year. Thus, much depends on weather and harvest conditions during the rest of the season.

The greatest increases in acreage this year are in corn and cotton, due largely to termination of acreage allotments for corn, termination of the Acreage Reserve Program and increased cotton acreage for farmers choosing "Plan B." Indicated corn production is 4.2 billion bushels. Cotton output could exceed 1958.

### CONSTRUCTION

Construction wage rates are skyrocketing. Building materials prices, on the other hand, are being kept at reasonable levels.

Average minimum hourly wage rates for all building trades are 17 per cent above 1955 levels; 49 per cent above 1950.

Minimum hourly rates for brick-

layers now average \$3.95 and in some areas are as high as \$4.55. Minimum rates for plumbers average \$3.77, with some ranging to as much as \$4.25. Minimum hourly rates for carpenters, plasterers and other construction workers are also at all-time highs.

Construction materials' wholesale prices average out to a rise of only seven per cent since 1955, and but 23 per cent since 1950.

These differences in wage and materials price trends are bringing increased use of factory-made materials assemblies.

Changes are becoming pronounced in the new homes market, where consumer demand is dictating increased use of factory-made structures.

### CREDIT & FINANCE

The President won't get the consent of Congress to his request for an increase in the permissible interest rate on long-term government bonds. Some compromise will be worked out, although congressional leadership has trouble determining what can be done to make government bonds more competitive in the market without raising the interest rate.

The Administration's fight to control inflation continues. The Cabinet Committee on Price Stability for Economic Growth, headed by Vice President Nixon, urges that Congress: 1, recognize price stability as an explicit goal of federal economic policy; 2, balance the

budget and provide for reduction of the national debt; 3, allow the Treasury sufficient flexibility to achieve a balanced debt structure by increasing the portion of long-term securities.

Meanwhile, tax revenues are climbing rapidly and, barring profligate spending by Congress, should more than balance the budget for the coming year.

### DISTRIBUTION

The second half of 1959 may bring some modification in the general level of sales. While sales volume ran eight per cent ahead of year-earlier levels in the first half, it is expected to taper off to about five per cent for the second half.

Federal Reserve Board reports show these specific nationwide gains over last year so far:

Department store sales are up nine per cent.

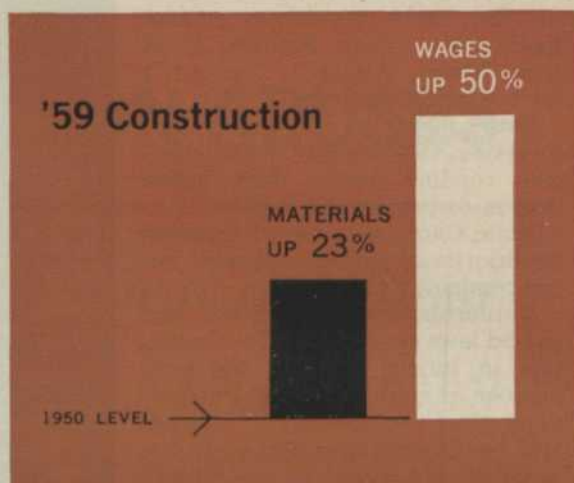
Household appliance store sales show a seven per cent improvement.

Retail furniture sales have increased nine per cent.

U. S. Commerce Department figures reveal higher physical and dollar volume in both durable and non-durable goods sales.

Although consumer credit continues to rise—having reached a record level of \$45.8 billion—it represents only 13.8 per cent of disposable personal income. A year ago the ratio was 14.1 per cent.

The prospect of higher consumer prices may dampen the retail sales





# Chamber of Commerce of the United States

outlook later on this year. The BLS Consumer Price Index, which has shown little change for several months, has started to edge upward again.

## FOREIGN TRADE

The record outflow of \$2.3 billion in gold from the United States in 1958 points up important changes in international trading relationships affecting our balance of payments position.

During the first four months of 1959, for example, our merchandise exports (excluding those supplied under military aid programs) were running at a rate of \$15.6 billion.

This is \$3.8 billion less than 1957. Imports are now at the rate of \$14.6 billion, \$1.3 billion higher than in 1957. Thus, the margin of exports over imports has dwindled to an annual rate of about \$1 billion, contrasted with \$6 billion in 1957.

The decline is explained in part by the absence of special circumstances such as those which created demand for certain commodities during the Suez crisis.

Growing competition in world markets shows the narrowing of the technological gap between the United States and the rest of the world. Solutions being offered include: 1, shifting more of the burden of common defense and aid to underdeveloped countries to Europe, and, 2, increasing exports.

## GOVERNMENT SPENDING

Preparation of the budget for 1961 is already well under way in the Executive Branch, even though congressional action on the budget for the current year is still not completed. The Bureau of the Budget and executive agencies have completed the preliminary budget analysis and the preparation of detailed estimates has begun.

Agency estimates will start to hit the Budget Bureau next month. Then comes the job of sifting and paring to meet next year's battle for a balanced budget, which will be handicapped by election-year conditions.

The built-in inflexibility of the budget and the tendency of Congress to fix budget costs for many

years in the future through public debt transactions and contract authorizations will make the work exceedingly difficult. Even without new programs or additions to existing ones, it is doubted that the budget can be held below \$80 billion.

## LABOR

The future composition of the International Labor Organization may be in doubt as a result of developments at the organization's recent annual conference in Geneva.

ILO is a specialized United Nations agency of a tripartite character. Representatives of governments, employers and workers share in the deliberations.

An ILO decision this year permits communist employer representatives to participate fully—as employers—in all ILO conference bodies.

For years, employer representatives from the free world have protested that communist employers are mere mouthpieces for international communism.

The USSR and nine of its satellites participate in ILO, which now boasts a total of 80 member nations.

The answer to this problem will not be easily found.

One suggestion has been the elimination of employer and worker representation so as to transform ILO into a purely intergovernmental organization such as the UN.

## NATURAL RESOURCES

Possibilities for greatly increased private investment in recreational facilities and services on federal lands has received a valuable boost. A bill introduced in Congress by Representative McIntire of Maine would authorize the U. S. Forest Service to enter up to 30 year cooperative agreements with private individuals, firms, or corporations to develop and maintain recreational facilities on national forests.

Existing regulations permit cooperative developments but do not provide for long-term commitments.

Demands for recreational uses and more luxurious facilities in national forests, approaching those on national parks, are increasing each year. These lands cover 181 million acres in 148 forests with recreational visitors booming from 35.4

million in 1953 to 68.5 million in 1958, and to an anticipated 130 million in 1969.

A tremendous investment and service potential exists for communities and businesses adjacent to and in these national forests.

## TAXATION

Pattern of the Ways and Means Committee tax study, scheduled to begin Nov. 2, becomes clearer.

Taxpayer protests about the tax system are now being echoed by members of the committee. Recent stories of widespread avoidance and evasion—complete with seemingly sound estimates of revenue loss—have strengthened the determination to sharpen the law.

To this end the committee will study not only the basic law, but also the exemptions and deductions now permitted.

Apparent primary objective of Chairman Mills and other committee members is to maximize the portion of income on which tax is levied and minimize the portion receiving special treatment. This they hope to do in such a manner as to maintain—or increase—receipts while reducing the rates.

A secondary, but important, objective is simplification of tax laws and reporting forms so that ordinary taxpayers can read and interpret the law.

## TRANSPORTATION

In signing the airport aid bill, the President pointed out that it specifically prohibits the commitment of federal funds for parking lots, bars, cocktail lounges, night clubs, theaters, private clubs, garages, hotel rooms, commercial offices, or game rooms.

Beyond this, he feels the law provides considerable latitude for the Administrator of the Federal Aviation Agency to determine what construction features are essential to the safety, convenience or comfort of airport users, or when construction to house a government activity, not involved in traffic control or weather reporting, is essential.

The President criticized the bill because Alaska is treated as a territory and so is deprived of some funds it normally would receive.



## PRODUCTIVITY

*continued from page 32*

supervisory training and management development. It's significant that, with a supervisory training or management development program, probably the most common reaction among foremen is: "Well this is wonderful but I'm not the person who ought to be here—my boss ought to be here!"

In one study we found that the only measurable change the supervisory training program produced, statistically, was to make the foremen more critical of their own bosses. The program didn't give the men any appreciation of their own inadequacies.

Now, if we're going to help supervisors and managers, we must first collect data for them, so that they can see what they're now doing. People tend to continue doing what they're now doing unless they get evidence that what they're now doing is inadequate.

Most managers and supervisors, if they agree that they should use group procedures, will say: "That is what I do now. I involve my employees in decisions affecting them" and so on.

When you ask, "To what extent do you give your subordinates information they need to do the job?" you'll find that 70 to 80 per cent of the superiors will say, "I give my subordinates all the information they need." But you'll find only 15,

20 or 30 per cent of the subordinates who say they get it.

If you ask a superior, "to what extent do you involve subordinates in decisions which affect them?" 70 or 80 per cent will say, "I involve my subordinates." If you ask the subordinates you'll again find only 10 to 20 per cent saying that they are actually involved in making these decisions.

So there is frequently an important discrepancy between what the superior does as seen by his subordinates and what he thinks he does. This means that we ought to begin to provide superiors at every level with far more accurate measurements of how they're doing in managing people.

At present we provide them with cost accounting data or production data or information with regard to expenditures, information on quality or waste. But the manager has nothing which tells him how well he's doing on managing people. It's virtually impossible to know from productivity or cost-earning data what changes in leadership produced changes in group loyalty. What is needed is the direct measure of the human variables, obtained regularly, to provide the supervisors and managers with the information they need to improve the kinds of processes we've been talking about and to raise productivity and cut costs.

### **How can a supervisor or manager become more employee-oriented?**

Essentially the manager tries to be aware of the reactions of his subordinates and thinks of them as people, not as machines. He is concerned about the problems they face on and off the job, and tries to help them cope successfully with these problems. He is concerned about their future in the company and tries to help them grow in ways that will give them satisfactory careers. He is interested in building a team of people who work together in a friendly, informal, congenial atmosphere.

Even though supervisors or managers become convinced of the value of this kind of leadership and try to learn how to do this job in a sensitive, employee-centered way, it still doesn't mean it gets through into their day-to-day behavior. The most powerful way to help a manager change in this direction is to collect data on how his subordinates, his colleagues and his superiors see him. If you have information from him as to the extent to which he is trying to use group methods of

**Dr. Rensis Likert**, who directs the Institute for Social Research, is experienced in research, administration and teaching. He is a professor in both the psychology and sociology departments at the University of Michigan. He has been director of research for the Life Insurance Agency Management Association, and headed survey programs for the U. S. Agriculture Department and war bond studies for the Treasury Department. He also is president of the Foundation for Research on Human Behavior, a national, nonprofit organization sponsoring research and largely supported by industry.

The Institute for Social Research is financed by funds from private industry, government and foundations. It conducts research in a number of spheres: human behavior in organizations, consumer motivations and attitudes, political and voting behavior of the public, juvenile delinquency, mental health, stress and anxiety in industry, and mass communication and its influence. Training graduate students in these kinds of research is also an important activity of the Institute.



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## PRODUCTIVITY

*continued*

supervision and then get comparable data from the subordinates as to how effectively he is using those methods and how he could use them more effectively, you can help him get a more accurate insight into his actual behavior. This will enable him to discover what his inadequacies are.

### **What conclusions have you reached regarding the motivational power of money as compared with other factors, such as recognition?**

It isn't a question of one kind of motivation versus another. The important thing is to tap all these motivations in such a way that they become cumulative and reinforcing. Our findings indicate the importance in using the money motivation, status, recognition and other kinds of motivations in such a way that they will all be oriented toward achieving the over-all goals of the organization.

Actually, we're not using money motivations today as effectively as we might. Take for example, our present practices with regard to overtime. I'm fully in favor of time and a half for overtime but, as used today, this monetary reward is actually motivating people to produce at a low rate. Rather than rewarding a person for producing well in the eight-hour period and compensating him accordingly, we reward him for dragging his feet and restricting production.

### **In the years ahead, do you see more emphasis being put on psychological rewards than monetary compensation?**

I think that it will be both. This means that people at lower levels in the organization will be involved to a greater extent in decisions relative to their work than is now the case. There is no reason for making a job so specialized that it is highly repetitive and monotonous. By permitting the employees to participate in how that job is broken down we can make it more interesting and more flexible. If we have job enlargement, we have greater job satisfaction, better performance and better results.

This is just a small trend in the direction in which I think we're going to go. I think that the high producing managers are evolving a managerial system where there is more upward influence, more participation. This will increase the

psychological satisfaction and also give the organization goals which more nearly meet the psychological needs of its people. With this increase of satisfaction will come better communication, better knowledge at all levels in the organization as to what the real problems are and the kinds of solutions that will meet them most effectively. With better communication, better decision-making, we'll have higher productivity, lower waste. And we can have significantly higher compensation and economic rewards. These rewards will occur in several different ways—higher wages and salaries, lower cost to consumers.

### **What do your research findings show as to the relationship of morale and productivity?**

We find situations in which there is high morale and high productivity; low morale, low productivity; high morale and low productivity, and so on. Now, I ought to say one thing about morale. We're using that term less and less because it means so many different things to different people. Let's talk about the satisfaction people have from their work. We find that the relationship between employee satisfaction and productivity depends to a great extent upon the kind of leadership that is being used. Where you have low productivity and low employee satisfaction, you tend to find that the leadership is relatively apathetic. The employees feel that there's no real significance in the job. Management may be doing a

poor job of getting material to them, organizing the job for them, or be ineffective in other ways. Where employee satisfactions are higher and productivity still low, you find that the leadership is trying to keep people happy but doesn't expect much. Maybe supervisors and managers have been to a training program which overemphasized human relations and are working hard just to keep people happy.

Where you have relatively high productivity with low satisfaction, you find that supervision tends to put direct pressure on people to do specific tasks in specific ways. This kind of leadership seems to work reasonably well in achieving moderate to fairly good production when the job can be broken into component parts and standards set. But there have been strikes over work and time standards in more than one company because of this.

In an operation that involves the total person—as in research or highly specialized engineering tasks or complex selling—this direct pressure for production doesn't yield high performance. Even in truck driving and delivery operations, direct pressure is less effective.

Where you get high productivity coupled with high employee satisfaction you find leadership of the kind I have been talking about. This is the pattern of leadership for which the modified theory of management calls. In this situation you have the work group itself involved in setting goals to meet the organizational objectives as well as their



**DR. LIKERT:**

“We're not using money to motivate people as effectively as we might...”



own needs. As the group sets up high performance goals, it tends to expect that each person will do his best. It's interesting in this connection that members of the group do not resent the pressure from group members for high performance. They accept this pressure and are motivated to do their best to meet the expectation of their colleagues.

Moreover, this kind of pressure actually produces a total higher motivation and better performance with less sense of pressure; so there is less waste.

Our data show that this holds for not only the relations between foremen and nonsupervisory employees but for relations between superior and subordinates at all levels.

**Can you say how business organizations might avoid conformity or rigidity in thinking and acting?**

I can make some suggestions. First, we've asked middle and upper management groups, "what is the most important and difficult communication problem you face?"

About 80 to 85 per cent say that the most serious problem is downward communication. This means that management is not particularly concerned, or not aware of the serious inadequacy of upward communication. It's striking to find how often the superior at every level is unable to estimate correctly the points of view, the informational level, the performance goals of his subordinates.

For example, we asked employees in one company "to what extent do you feel that your foreman understands your problems?" About 40 per cent said that they felt that their boss understood their problems. When we asked the foremen how well they felt they understood the problems of their subordinates, 95 per cent said they understood them well or very well.

When we asked these same foremen, "to what extent does your general foreman understand your problems?" only 60 per cent felt their general foreman understood their problems. When we asked the general foremen how well they understood the problems of the foremen we found that, again, 90 per cent said they understood the problems of their foremen well or very well. This is the pattern that we tend to find.

Each level feels that it understands the problems of its subordinates but does not feel that its superiors understand its problems. This means that the present man-

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## PRODUCTIVITY

*continued*

to-man system of supervision puts a powerful filter in the relationship between subordinate and superior at every level. All of us tend to find that it isn't wise to tell the boss exactly how we feel when what we feel runs contrary to what we know he feels.

We tend to communicate upward the information we know is wanted, not the information which higher levels of management should have for an intelligent decision. This is one of the factors that contributes toward conformity.

It is significant that, when we look at organizations today, we find that, the greater the group loyalty, the better the supervisor is informed about the attitudes, points of view, and situation of his subordinates. Upward communication as well as downward communication is performed significantly better.

Some other data also bear on this. A study for a large research organization showed that, if the scientist discussed his research daily with colleagues in the same scientific field, he was less productive, less creative, than if he was interacting daily with people from a scientific field different, though not completely different, from his own. This suggests that if we can create opportunities for interaction and build some of our work groups—particularly those concerned with organizational planning—of people with different backgrounds and different orientations, new ideas ought to come forward in greater variety.

The study also showed that while a scientist needs the stimulation of points of view differing from his own, he also needs at least one other person who shares his way of looking at things.

The support and encouragement of a major colleague, preferably his superior, who shares his orientation and background, enables him to have the courage to stand firm in the face of opposition to his new ideas.

Building this kind of supportive atmosphere, and perhaps also building a tradition within the organization that change is desirable, apparently can facilitate creativity and overcome problems of conformity.

**Are you giving special emphasis to any particular research area in the hope of new breakthroughs?**

I think the breakthrough will be right across the total organizational

pattern. I think it will call for different ways of carrying on specific operating procedures. It will involve more group organization, more participation of subordinates in decisions affecting them, and developments in that direction. I think it is important to emphasize, however, that while the theory is emerging in progressively clearer form, the specific method of applying it is still going to take a great deal of developmental work.

To move from theory to application will call for substantial developmental research to find out the specific procedures that are called for in all the widely different kinds of managerial situations. I think the application of the theory will necessarily be different in sales than in manufacturing, or clerical, or re-

search. It will depend on the past traditions of the organization, too.

**How quickly can this new theory of management be applied more generally?**

We find that producing significant changes in leadership is a slow process. This means that any introduction of this modified theory will have to be slow. We do not want to produce undue stresses within the organization itself—stresses among people, between people and so on. Consequently, if any organization expects to be using this modified theory of operation five years from now, it would be wise to start it now on a relatively slow pilot project basis and gradually apply it as the specific ways of operation and application are discovered. It would be extremely dangerous and unwise to try to apply this theory rapidly.

**To what degree will this modified theory of management be likely to improve performance?**

The Institute, working with companies, has experimentally introduced the modified theory or some changes that are consistent with it in a limited number of companies. Where it has been introduced we find that productivity increases of 15 and 25 per cent are not uncommon. Along with the increases in productivity come increases in job satisfaction and motivation, and cooperation on the part of the members of the organization. This suggests that the modified theory has in it the potentiality of increasing productivity levels, reducing waste, and achieving various kinds of savings.

It might be useful to make one final point: In our experience only the most able managers have the imagination and the courage to introduce new ideas and better procedures. I believe this will also be true with changes representing an application of the modified theory of management. I suspect that this theory will appeal most to, and be best understood by, the managers who are today the high producers. I believe that it will be among men of this kind that interest in the modified theory and the willingness to apply it will be greatest.

However, no one need be discouraged because at present he isn't an outstanding manager. Data suggest that, if he moves in the direction called for by this modified theory, he can get increases in performance, decreases in costs, greater employee satisfaction and, in general, improvements in the total operation of the organization. **END**



**DR. LIKERT:**

“Where the modified theory of management has been introduced productivity increases of 15 to 25 per cent are not uncommon...”



# Sharper price figures in sight

## Overhaul of government statistics will benefit all business planners

BUSINESSMEN will have more precise statistical tools in the near future.

A five-year program, costing about \$5 million, is now under way to improve government price statistics.

The Consumer Price Index, perhaps the country's most widely used statistic, will receive a temporary \$215,000 improvement and a five-year, \$4.6 million major overhaul.

The Wholesale Price Index, which shows changes in primary markets, will also be improved.

In addition, four new price index series, filling major gaps in existing price statistics, are being considered.

Prepared by the Bureau of Labor Statistics, the Consumer Price Index reports changes in the price of goods and services commonly bought by families of urban wage earners and clerical workers. It is a measure of inflation and deflation, showing changes in purchasing power of the consumer's dollar, and serves as a guide in forming economic and social policy.

It affects the wages and salaries of some four million workers who have their wage rates tied directly to the index by wage contract escalator clauses. For other millions of workers, movements of the Consumer Price Index influence the amount and frequency of their wage increases, as the index is used as a guide in virtually every wage negotiation or determination made in this country.

Since the last overhaul of the index, based on patterns of 1950 consumer purchases, drastic changes have occurred in the economy.

Shifts have come about in retail market structures and family income patterns.

Industrial expansion and increasing competition for consumer markets have brought many new products and a wider variety of quality lines. Population movements and decentralization of metropolitan areas have created new marketing centers. The rise of discount houses

and declining importance of price maintenance regulations have altered traditional price relationships.

Families have become larger, average family income is higher, population has swung geographically toward the Southwest and West, and families are moving to the suburbs, spending less on dress clothing and outside entertainment, more on houses, travel, education and medical care.

These changes make necessary a temporary patch-up job of the index to assure its continued accuracy until completion of the major overhaul. The temporary improvement includes increasing the frequency of listing the prices of important commodities that have wide and frequent price changes, expanding the pricing sample to include better representation of items with a wide variety of qualities, styles or models, and increasing the number of quotations per city for items having wide price variability within the city. This job will be completed in about a year.

The major overhaul involves a thorough study of what, where, and how much the American family is now buying. Some 12,000 families will keep careful records of all income received, what goods and services are bought, and how much money is saved. Chosen by scientific sampling methods, the families will vary in income level, age of family head, number of persons, geographic location, community size, and other characteristics.

Analysis of these records will help provide a new list of goods and services to be priced, their relative importance, and a new list of stores to be priced. Publication of the overhauled index will begin about January 1964.

The Wholesale Price Index, also prepared by the Bureau of Labor Statistics, shows price changes in primary markets, the first important commercial transaction for commodities. Based upon prices of some

1,900 commodities, the index is used for economic and business analysis, and also in adjustment or escalation of long-term purchase and rental agreements. The index is now being revised by adding various types of producers' durable equipment and other machinery formerly omitted, and review and expansion of the pricing sample for lumber, chemicals, paint and several other industrial groups.

One of the four new price index series under consideration, prices paid for new construction, would show total price paid for each major type of construction, with component indexes for labor, materials, contractors' overhead, engineering fees, and other principal cost elements.

A second series being contemplated would show selling prices of residential properties, reflecting not only cost changes, but direct supply and demand factors.

Also under consideration is an index of prices paid by industrial users. In contrast to the Wholesale Price Index, which measures prices at point of production, this index would measure the cost of goods delivered to the purchaser, reflecting changes in transportation costs from producer to buyer, shifts in quantity discounts, trade allowances, distributors' bonuses, and other variations which are most sensitive to changes in the business cycle. Prices would be obtained from industrial purchasers of raw materials, supplies and components, incorporating all costs of moving the product to the plant where final processing takes place.

Still in the exploratory stage is an index of prices paid by government. A substantial portion of the nation's output is bought by government. Since military end products undergoing rapid technological change make up a large part of government purchases, the preparation of this index would involve difficult technical problems.

END





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This conviction is already being translated into action by forward-looking companies.

A confidential survey by a major oil company shows that supervisor development is now getting priority attention in many of the nation's best-managed organizations, including International Business Machines Corp., Procter & Gamble, General Electric, Du Pont, General Motors and Esso Standard Oil Company.

This is just the beginning. During the next 10 years business may put as much emphasis on supervisor development as it has given to executive development in the past 10 years. The reason for this trend is obvious. The first-line supervisor performs an indispensable management function. But in the past he has seldom been selected, trained or treated like a manager. The very existence of a controversy over whether foremen should join unions is sufficient evidence of the confused status of the supervisor.

The basic philosophy behind the development pro-

grams now emerging in industry is that the supervisor's job must be upgraded in the direction of true management. Some of the petty tasks with which the supervisor has been saddled must be taken away, and some of the authority that has been siphoned out of his job must be returned. He must be given status symbols and incentives commensurate with the responsibilities he is asked to shoulder. He must be selected and trained with much greater care.

Here are some specific suggestions, drawn from the experience of pioneering companies and from recent management research, on how these principles may be applied in any organization, large or small.

*Clarify the supervisor's status:* Several attitude surveys have confirmed that a supervisor's standing with his subordinates, and his ability to get work done through them, is directly related to the way higher management treats him. If the workers discover that he is merely an errand boy, they will scornfully bypass him and find some other leader—often the union





Give him promotion  
opportunity



Select him for  
management ability



Adapt his training  
to his needs

shop steward—to serve as their point of contact with management authority. On the other hand, the University of Michigan Institute of Social Research found that one outstanding characteristic of a high-production unit was a conviction among its workers that their supervisor was respected by higher management, and was in a position to “speak up for us.”

You can raise the supervisor's prestige with his work group by giving him some of the status symbols associated with management. One company achieved striking results simply by giving supervisors reserved parking spaces, and telling them they no longer had to punch time clocks. Others have provided distinctive coats for supervisors to wear on the job, or have set up private dining rooms for their exclusive use.

The psychological value of such gestures will be entirely lost, however, unless they are accompanied by a genuine increase in the supervisor's authority, especially in such vital areas as hiring, firing, promotion and pay. The U. S. Air Force, which has 173,000 civilian employees and about 32,000 supervisors, has built its entire supervisor development program around the simple concept that the supervisor is *the* personnel manager.

IBM, in turning its supervisors into true managers, regards its personnel office as a staff section serving the supervisor, rather than the supervisor as a form-filler for the personnel office.

One word of caution is in order about raising the supervisor's status. Don't carry the process so far that you separate him entirely from his work group. His proper role in a business organization is analogous to that of a transformer in an electrical system: He is the transfer point at which management policies are stepped down to the worker, and the worker's problems are stepped up to management. To perform this role, he needs to maintain a direct, close connection both with higher management and with his subordinates.

*Simplify his work:* The U. S. Army, in a recent survey of civilian employees, found that the average su-

pervisor is required to do 41 different jobs. It also found that most of these jobs are petty, time-consuming, and have very little connection with successful management of a unit. An industrial firm, in a somewhat similar study, learned that its supervisors were spending from one third to one half of their time filling out reports and performing other routine paper work for the front office.

Freeing the supervisor from some of this detail is an obvious necessity if he is to have enough time for organizing and scheduling work, and performing other managerial functions. One solution is to provide each supervisor with a clerk, as IBM and other companies have done. Another fruitful possibility is to eliminate a few dozen forms, records and reports that aren't really necessary.

*Raise his pay and give him a fair opportunity for promotion:* The prevailing practice in American business is to pay a supervisor from 10 to 15 per cent more than the highest-paid production worker in his unit. Everything that business has learned about executive compensation argues that this pay differential is an inadequate incentive for taking on heavy managerial responsibilities.

The incentive problem is aggravated if the supervisor feels that he has little or no chance for promotion into middle and upper management. Attitude surveys reveal that many supervisors do feel this way—and with good reason. They see a growing tendency to reserve higher positions for college graduates brought into the company as management trainees. They feel that this practice is creating a caste system which discriminates against the supervisor who came up from the ranks.

James H. Taylor, personnel manager for Procter & Gamble, says this promotion barrier is not the result of snobbishness, but simply reflects the increasing complexity of modern management. P & G, he says, would like to see its up-from-the-ranks supervisors progress further. But it has found that “people who



## Promise in managerial ability should be a guide for choosing supervisors

have not had technical education and experience cannot often move successfully beyond the first few echelons of supervision."

Management consultant Peter Drucker feels differently. "The best preparation for most of the technical jobs in industrial engineering, in quality control, in production scheduling is successful performance as a first line supervisor," he contends. "The able supervisor can acquire in a training course whatever specialized technical knowledge is needed."

Mr. Taylor and Mr. Drucker agree, however, that the need for future managers is so great that no company can afford to overlook a supervisor who is potentially qualified.

Intelligent use of human resources demands that supervisors be clearly included among the candidates for executive advancement, and that any man who has demonstrated a basic grasp of the art of management should be given every opportunity to remedy any educational deficiencies that stand in the way of his promotion.

*Select supervisors for management ability:* Business has learned from its experience with executive development that superior performance as a technician is no guarantee that a man will make a good manager.

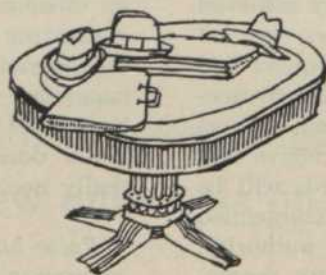
This lesson should be applied to the selection of supervisors. Picking the best production worker in a unit to fill a vacancy as foreman—a common practice in many firms today—is a hazardous procedure. He may be a whiz at operating a machine, but a complete flop at getting work done through others.

The human relations approach to choosing supervisor-candidates is more sophisticated, but in the long run just as unsatisfactory. The ability to get along well with fellow-workers is one necessary qualification for a good supervisor, but by no means the only one. A hail fellow who is reluctant to exercise authority, or who shows no aptitude for such tasks as planning and scheduling, will never make the grade no matter how popular he is with the men.

A number of companies have done extensive research on the problem of choosing supervisors. They have developed a variety of tests, questionnaires, depth interviews and other appraisal techniques. Most of these screening devices are intended to determine, first, whether a man has the capability of becoming a manager, and second, whether he really wants to assume leadership responsibility.

Procter & Gamble believes that the second question is every bit as important as the first. It encourages self-nomination. Any worker who comes forward on his own and expresses a desire to be considered for a supervisory job has a strong point in his favor.

If an employee seems to be a good prospect for a supervisory job, P & G discreetly tests him by putting him into positions where he can demonstrate management ability—or the



lack of it. He may be assigned to trace the cause of a production delay or material loss in his unit, for example, or casually appointed to a plant committee planning a Christmas party—or something of that kind. Nothing is said about the fact that he is being considered for promotion, but his superiors watch closely to see how he handles himself.

*Adapt his training to his job and his needs:* "When I look back on it," an executive said recently, "I realize that our old foreman's training program was completely absurd. Half of the trainee's time was spent in learning how to fill out forms and reports. The other half was devoted to lectures in which we tried to teach him a lot of abstract principles that meant absolutely nothing

to him in terms of his everyday job."

A sharp break with this concept of foremen's training is one of the notable features of the new supervisor-development programs. The big effort is to keep training job-related—that is, to make sure that supervisors are taught the things they need to know, in a way that makes sense to them.

This is accomplished by such measures as:

1. Bringing the job into the classroom. Instead of listening to lectures on management principles, supervisor trainees work out the principles for themselves through guided discussions of actual problems. The so-called incident process developed by Prof. Paul Pigors of MIT (a simplified version of the Harvard case study system) is an excellent technique for this kind of training.

2. Using line managers as instructors. There are at least four good reasons for this. It saves money; it is a development opportunity for the managers called upon to teach; it opens a new and valuable channel of communication between higher management and supervisors; and last but not least, it persuades supervisors that they are getting practical, workable guidance from a man who knows the score.

3. Using the job itself as a training device. A few companies have dispensed with formal training courses altogether in the belief that supervisors, even more than executives, can best learn by doing. Even in the companies that continue to provide formal training courses there is heavy emphasis on the developmental opportunities found in the actual work situation—special assignments, job rotation, and, above all, coaching by experienced superiors.

4. Tailoring development to the specific needs of the individual. This is even more important for supervisors than for executives. Supervisors vary in educational background from those who never went to high school to those who hold Ph. D. degrees. Several techniques are available for diagnosing an individual's training needs. Minneapolis-Honeywell uses a questionnaire to find out where the supervisor himself feels weak. General Electric has its general foremen rate each of their subordinate supervisors in terms of duties, expectations, current performances and developmental deficiencies. The appraisal panel system widely used in execu-



tive development programs is easily adaptable to supervisors.

5. Emphasizing the supervisor's responsibility for self-development. This idea, a keystone of executive development philosophy, has only recently been widely applied to supervisors. Its success in any situation will depend on the demonstrated readiness of top management to open promotion ladders to ambitious supervisors and to reward them for distinctly managerial skills (such as developing their own subordinates) that may not be directly reflected in their unit's production record.

6. Judicious use of company-financed training at outside institutions. If a supervisor has demonstrated potential for management, but lacks formal education, it may cost less in the long run to send him to school for a while than it would cost to teach a college graduate the fine points of handling people and production. Remember that you are not sending your rough-hewn genius to college just to acquire polish. The real purpose of exposing him to some liberal arts education is to broaden his outlook and better equip him for the value judgments he'll need to make in a bigger job.

This new approach to supervisor development may sound prohibitively expensive. But the organizations that are leading the way are as cost-conscious as any in America. They are convinced that better management, at the crucial contact point represented by the supervisor, is not a luxury, but a necessity. They also believe that over-all personnel costs need not be increased, but may actually be lowered, by upgrading the supervisor and his job.

The prevailing practice of putting one supervisor over every 10 or 15 workers is not based on any inexorable span-of-control law. It stems in large part from the fact that most supervisors are required to function as straw bosses rather than managers.

The direction in which business is clearly moving is toward more quality and less quantity in supervision. As one executive put it:

"What we need is fewer supervisors, better trained and better paid."

—LOUIS CASSELS &  
RAYMOND L. RANDALL

**REPRINTS** of "Next Big Step: Upgrade Supervisors" may be obtained for 15 cents per copy or \$10.15 per 100 postpaid, from *Nation's Business*, 1615 H Street, N.W., Washington 6, D.C. Please enclose remittance with order.



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## BASIC STRIKE ISSUE:

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# YOUR RIGHT TO MANAGE

Showdown comes in effort to set  
limits of union's sphere of action

BEHIND THE STEEL STRIKE is the business community's increasing concern over union encroachment on the responsibility to manage.

Basically, from a business standpoint, that is the big issue which underlies the strike.

The United Steelworkers struck major steel producers for the sixth time since the war not so much for higher wages as to deny the industry the opportunity to operate at maximum efficiency so that increased labor costs could be absorbed without raising prices.

At stake are success in the fight against inflation, the efforts to meet growing foreign competition, the right to stay in business, and other recognized management responsibilities.

Management's struggle to loosen the shackles of union control of management functions is neither new nor confined to the steel industry. It has been going on almost since the beginning of unions, but today management shows increased determination to have a showdown in steel, metalworking, rubber, glass, railroads, construction and other industries.

The size of the problem and management's concern over it were reported by NATION'S BUSINESS a year ago (see "Unions and Laws Put Curb on Management," July 1958). How some employers were coming to grips with a major part of the problem was revealed two months ago in another article, "Pressure Mounts Against Featherbedding" (June).

### Right to manage

At issue is the employer's right to manage his business to the best of his ability consistent with the public good. Involved are the right to direct, discipline and control the work force; to control production, and generally to conduct the business, including decisions affecting products, prices and profits.

The line between management and employee rights is not clear-cut. The common employer view is that management has all rights except those limited by contract with a union or by law.

James C. Phelps, assistant to the vice president for industrial relations of Bethlehem Steel Co., has said, for instance, that to the extent that management's sphere of action is not limited by a union agreement its "rights are unimpaired by the contract."

Arthur J. Goldberg, counsel for the United Steelworkers, contends, on the other hand, that management has no reserved rights which can be diminished only to the extent that labor challenges them successfully.

He says that management, unions and employees all have rights, with none supreme over the other, and that management's right to direct the work force is only a procedural right because somebody has to be boss.

Mr. Goldberg recognizes that management exercises certain inherent rights in operating a business, but indicates that this is so only because unions have not seen fit to diminish them by union contract. In any event, he insists that the exercise of these rights cannot diminish the rights of the worker and union.

Among the inherent rights of management Mr. Goldberg includes determining the product, the machine to be used, the manufacturing method, the price, the plant layout and plant organization.

But, when exercise of these rights raises questions involving working arrangements, crews, schedules, rates, etc., which affect worker or union rights, then, he says, they may be subject to limitations of the union contract.

Major steel contracts state that the company "retains the exclusive rights to manage the business and plants and to direct the working forces" and that, in exercising these rights, it will observe the terms of the



labor contract. The steel union wants to change "retains the exclusive rights" to read "has the exclusive responsibility." Reason: It wants to remove from the contract any support for the theory that, without a contract, management has unlimited rights, and retains all those not specifically limited or taken away by the contract.

Some employers avoid any statement of management rights in the labor agreement on the ground that such a statement might be interpreted to exclude other rights not stated.

About 60 per cent of union contracts include a statement of management rights, according to a survey by the Bureau of National Affairs, Inc., a private reporting service. They appear in at least 80 per cent of the contracts in these industries: textiles, transportation equipment, leather, rubber, stone, clay and glass, fabricated metals, furniture and finance. They are least common, less than 20 per cent, in communications, maritime and construction industries.

In contracts which cover specific management rights, these are listed most often:

- ▶ The right to close a facility, relocate or build a new one.
- ▶ The right to issue company rules.
- ▶ The right to determine the number of workers.
- ▶ The right to institute technological changes.

## What's restricted

These are some of the management prerogatives which are restricted in union contracts:

Contracting out of work; purchase or use of certain materials; changes in production methods; use of supervisors; determining the size of the work force, work load and speed of operations; instituting technological changes; abolishing jobs.

One employer agreed with the union to continue producing the same products at a particular plant, unless it becomes economically necessary to transfer the production to some other plant. In the latter event, the union will be given 60 days in which to review the action. If no agreement is reached on the necessity, the union may strike or the employer may shut down.

## The showdown

A number of companies in the past year have undergone long and costly strikes in the effort to soften or eliminate contract clauses which hamper cost-cutting.

The railroads are heading for a possible strike in their drive to cut down union featherbedding practices which the industry claims cost the public \$500 million a year. Railroad labor agreements expire Nov. 1, but any strike action would be delayed under the machinery of the Railway Labor Act.

In construction, the building trades unions have joined employers in a cooperative program to cut down on work restrictions.

These are some of the major situations in which the issue has come to a head:

**Steel:** The industry is asking the United Steelworkers to agree to a number of contract changes which, it says, would pave the way for improved efficiency and waste elimination to the benefit of all. The industry wants:

- ▶ More freedom to change jobs or work assignments, as circumstances change, without being hampered by the necessity to preserve historical local working conditions.
- ▶ Enforceable contract restrictions against wildcat strikes, slowdowns and picketing.
- ▶ Recognition of management's responsibility to develop sound incentive standards.
- ▶ Clarification of management's right to change work schedules to meet changing business requirements.
- ▶ Employees to work at least part of the year to qualify for a paid vacation, with vacations spread over a longer period.
- ▶ Seniority rules simplified so that employees with higher seniority may not claim jobs for which they are not qualified simply because the jobs are held by workers with shorter service.

**Glass:** Pittsburgh Plate Glass Company took a strike of more than 18 weeks trying to get changes in work quotas and wasteful work rules. Its requests are being considered by an arbitrator.

**Oil:** After a five-week strike, Gulf Oil Corporation won some union concessions against refusal of workers to perform minor tasks outside their normal jobs when necessary to complete their work.

**Rubber:** The United Rubber Workers struck major rubber companies for several weeks over issues which included union efforts to put restrictions on contracting out of work and to eliminate disciplinary action against wildcat strikers.

**Metalworking:** Management responsibilities were a major factor in a two-month strike by the United Automobile Workers against International Harvester Company. In the new contract, the company gained, among other things, the right to shut down for vacations.

**Automobiles:** Chrysler Corporation was involved in a long strike over work loads and employee efficiency.

**Publishing:** New York newspaper publishers won some concessions in a long dispute with union printers over the setting of unnecessary type. **END**



## Higher prices can cut profits if consumer resistance lowers volume

\$5 billion. Indications are for a continuation of this rise.

On balance, consumer demand through the year and a half ahead promises to assure rising levels of business. There is reason to believe that consumption may accelerate.

### Prices

The Consumer Price Index has been stable for the longest period on record. But changes in the components of the index have been occurring and will continue to occur. For example, the food index is much lower than a year ago, with this decline approximately offsetting rises in other parts of the Consumer Price Index, notably services.

Resumption of creeping inflation is now expected. In the 12 to 18 months ahead a possible increase of two percentage points is possible.

On the other hand, there is considerable pressure on prices. Competition is stiff. Businessmen know that raising prices can significantly reduce volume and adversely affect profits.

### Competition

Competition appears likely to hold creeping inflation in the year ahead from becoming leaping inflation.

The nature of competition, too, is important to businessmen. Of rising significance is the competition from new products. With an estimated \$10 billion going into research and development this year, you can expect many new products to be placed on the market. Greater efficiency will be required to compete effectively price-wise.

### Wage and other costs

Costs are rising, with no let-up in sight, pressing hard on the profits end of the business formula. Labor income from wage and salary disbursements, at the rate of \$240.9 billion in April of last year (the low point), now is an estimated \$25 billion higher.

What's happening to wages in manufacturing indicates the wage-cost trend. Average weekly earnings for workers in manufacturing

now approximate \$90. That is roughly \$9 a week higher than a year ago. For durable goods manufacturing, the average weekly pay is \$98, up \$10 in a year, and for nondurable goods factory work the pay average is about \$79, some \$5.50 a week higher than a year ago.

A noteworthy fact about factory employment is that about half the workers are employed in industries that average \$100 a week or more. For example, the primary metal industries average more than \$116 a week per employee. The weekly average for products of petroleum and coal is more than \$118.

Average hourly earnings for all factory work are about \$2.25, up 11 cents an hour in the past 12 months. This compares to \$1.98 in 1956 and \$1.47 in 1950.

The determination of union wage negotiators to boost hourly earnings and fringe benefits indicates that labor costs are likely to continue upward in the foreseeable future.

### Hours of work

Closely associated with earnings is the number of hours worked each week. The average workweek has risen sharply in the past 12 months. For all industries the average now exceeds 40.5 hours, about two hours more than a year ago.

In considering expansion plans, this index is important. It means that workers already are working about as many hours, on the average, as can be expected. Increased production might require an increase in number of workers. This may not be easy.

Total unemployment includes approximately 1.5 million workers, male and female, between 14 and 24, where worker skills are lacking. Thus, employment of additional workers with less skill tends to raise employment costs.

### Technology

When skilled workers are unavailable in large numbers, and overtime is costly, plant managers turn to technological improvements for ways to boost production and raise efficiency. Developments in technology need not wait for these

conditions to prevail. Much of America's progress is based on creative obsolescence. As new and better machines become available, old machines are likely to be scrapped long before their usefulness is over.

For the near, as well as the long-range, future many technological developments are to be expected. This is one important avenue available for reducing costs, as well as raising volume output.

### Plant efficiency

Although no one knows for sure at what percentage of capacity America's total industrial machinery is now working, it is known that present capacity exceeds current volume.

The problem can be illustrated this way. An executive of one of the country's leading corporations, discussing this problem recently, admitted that his company is operating at about 75 per cent of capacity. As the nation's economy moves toward the \$500 billion mark, however, his company expects much of the unused 25 per cent to go into operation.

Then, as the gross national product rises further, the company will need to boost production. How can it do this? The company can, of course, run at more than 100 per cent of capacity by using overtime, but plant efficiency diminishes rapidly, he says, after the 90 per cent rate.

Thus the extra business is not necessarily profitable.

Yet it could prove even more dangerous, over the long run, not to try to fulfill additional demand. A competitor might accept this business and grab off a larger share of the future market.

This illustrates the importance of the expansion problem many executives face today. If the decision to expand is delayed too long, it could prove a serious drag on the company during the early 1960's. The company lucky enough—and smart enough—to get in on the best part of the boom is in position to expand profits in the years ahead.

### Interest costs

The prospect for profits is the chief consideration for expanding. Interest costs, nevertheless, play an important part. So does the availability of funds.

For the immediate future money is expected to be tight. The rediscount rates administered by the Federal Reserve banks have recent-



ly been boosted. This is intended to restrict the money that is available. Interest rates will be higher.

For the remainder of this year and next, profits may provide funds for expansion. There seems little reason to believe that shortage of funds will curtail expansion, despite the prospect for higher interest costs.

## A look ahead

The critical period for many companies is now. Some already have made plans and a few have announced them.

If the decision to expand is put off too long, the company may discover too late that it is missing out on the most profitable period of the boom.

On the other hand, building excess capacity too early could be as great a problem as not being able to produce the volume your salesmen can move.

"It's like having enough cash," one executive explains. "If you've got enough cash at the right time, you're in good shape. But having a lot of cash at the wrong time can be a serious liability."

"Unused plant capacity is the same sort of thing. Building additional plant capacity today is an expensive item in the cost of doing business. It's even more costly—sometimes disastrous—to build new capacity and then not be able to use it, and to have to wait around while demand catches up with ability to produce."

"Our company hopes to bring new plant capacity into operation just in time to keep pace with the sales volume increases we expect for the future."

For his company, he thinks that means new plant capacity should be ready for use by the end of 1960 and early 1961.

Plant and equipment expenditures currently are running at the annual rate of about \$33.4 billion. This is a healthy pace, although somewhat lower than the \$37 billion record set in 1957. Analysts in Washington say that, according to the best information at hand, the rate will change little the rest of this year. Indicated is the probability that the rate of spending will reach only \$33.7 billion by the final quarter.

But important things are happening.

For one thing, economic growth is moving along rapidly. Acceleration has surprised many of the country's best forecasters. For ex-

ample, a year ago a forecast of a gross national product of \$475 billion by the end of this year was regarded as quite optimistic. Most economists looked with favor on \$465 billion.

Then their sights were moved higher and many, until recently, thought they saw the gross national product reaching \$480 billion and possibly \$485 billion by the end of this year.

Now, looking at later data, economists expect the figure to reach \$490 billion by Christmas.

The \$500 billion mark—regarded as sort of an economic milestone, though nothing is really magic about the figure—will surely come in the first quarter of 1960 and could come by the final quarter of this year.

Many businessmen, as well as economists, are beginning to fear that they'll be caught off guard with plant capacity all used up—and no room to boost production profitably.

The word "profitably" is a key thought here. Production nearly always can be boosted. But the extra production over the most efficient operating level is, for most lines, more costly.

There seems little likelihood that businessmen can delay much longer the decision to start action to enlarge plant capacity. Lead time is a critical factor. One indication of the future is shown by a survey of new orders placed with producers of machinery. These new orders have risen 20 per cent in two months.

The normal or usual lead time between new orders for machinery and the next rise in plant and equipment spending is nine months to a year.

Reading the signs, based partly on the jump in machinery orders, some economists think a new surge in plant and equipment will come next year.

The best guess appears to be that spending in 1960 will jump at least to the 1957 level, and a new record is possible.

That is, from \$33.4 billion now, total expenditures for plant and equipment in the year ahead are expected to reach \$37 billion or more, and a \$39 billion annual rate is the prospect for the final half of 1960.

END

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SUCCESSFUL COMPANIES in the next few years will be improving their executives' performance by developing carefully written objectives for every management position.

These will be much more than mere descriptions of position. They will be statements of conditions which will exist when there is a high level of executive accomplishment. Such performance standards will permit management by planned objectives as well as objective measurement of managers.

Many profitable and well managed companies already have effective standards for key executive jobs. But not all have them for all managerial jobs. Inevitably, the organizations which don't develop sound standards and procedures for measuring their managers and improving executive performance will be left behind in our increasingly competitive and demanding economy.

A test of the adequacy of your present system of performance goals for your supervisory and managerial people can be made this way:

For each of your immediate subordinates write out a statement of conditions which should exist six months from now when the subordinates' responsibilities are carried out to your satisfaction. Then ask each subordinate to write out, independent of your appraisal, what he thinks par will be for his job in the way of accomplishments six months from now. Compare the statements. If there is 75 per cent agreement on important factors, the understanding and expectations between superior and subordinate are probably better than those of your average competitor.

We have to keep score in business just as we do in golf, baseball or football. Standards, objectives and goals are as important in one as in the other. The most desirable objectives are those that permit constant measurement by an executive himself and review by his superior. By, say, 1965, most companies will not confine their appraisals to the now-customary once-a-year ordeal. We will need to adjust goals frequently, recognize accomplishments as soon as they are apparent and assure that a continuous improvement can be made.

Here are some other predictions of what likely will be the practices in successful companies in the years just ahead:

1. A manager's immediate supervisor will become more important in his appraisal. Group analysis of performance will be less important. Improved executive performance will be accelerated by setting performance goals expressed in terms of quality, quantity, organization needs, expense and time. The goals will be determined jointly by supervisor and subordinate. New targets will be set as soon as conditions change.

2. Subordinate and superior will prepare more fully for discussions of what is expected and how both can improve. The subordinate will be encouraged to determine the areas where he can improve most.

He will be asked to decide how he plans to improve and what the superior can do—or not do—that will help the subordinate better accomplish his job.

In 20 years of talking privately

with executives and supervisors in dozens of companies, I have never found one who did not tell me ways his boss could help him. But they rarely tell this to their superiors.

3. Less attention will be given to personality traits and more to results. A manager in a large concern in Texas, for example, was letting a superficial opinion of one of his auditors influence his judgment of the man's work. The manager had decided that his subordinate was a sour fellow, unhappy in his work, until one day he found out that the auditor's face was partially paralyzed and that he couldn't smile.

4. Both long and short-term objectives will be considered. Profit will continue to be important in measuring performance, but increased attention will probably be given to what actions a man takes that help the business grow. For example, what has he done in helping subordinates to develop? Who are the really qualified people promoted from his division? How has he contributed to the company's standing in the community, in the industry, even the nation?

5. The accent will be on the future, and areas for improvement will be stressed more than the mistakes or shortcomings of the past. A few functions of the job will be agreed on by executive and subordinate which probably need systematic and frequent analysis to achieve improvements. Maximum as well as minimum levels of activity may be useful. Most executives are probably doing certain phases of their



work exceedingly well to the neglect of other important responsibilities.

6. Less emphasis will be placed on how the executive's job is done, and more on end results. Performance will be judged by comparison with the standards for the position, for which accountability will be stated in writing. Less attention will be given to comparing one executive's performance with that of another.

7. Promotability and performance will be considered separately. Probably less than half of the present executives in your company will be promoted in the course of their careers with the company. When both promotability and performance are covered at the same review, job potential is likely to get more consideration than is present job performance. It is most important that you and your subordinates concentrate on improving performance within current responsibilities. Of course, each subordinate is interested in promotions, but these should be discussed and appraised separately from performance judgments.

8. Forms, rating, scales, graphics, adjective descriptions, forced-choice items and over-all numerical ratings are likely to receive less attention. Letting subordinates know how they are doing and developing plans for improvement will become recognized as the responsibility of line managers.

A recent analysis of 656 executives in a blue-chip corporation found among the most noticeable weaknesses: lack of job knowledge and experience, poor communications, lack of initiative, improper delegation, lack of organization and planning ability.

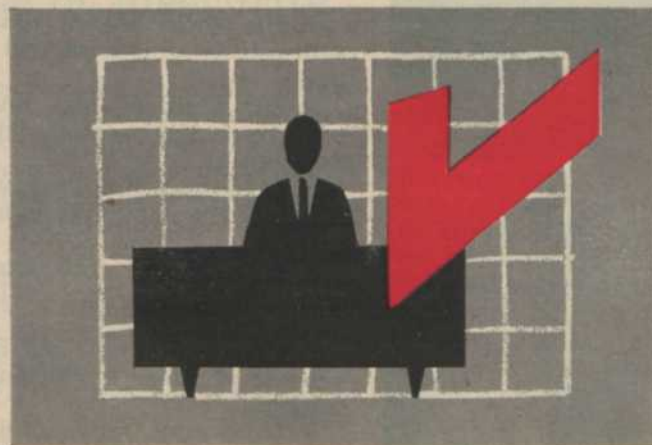
Many of the executives also were found to be inconsiderate and unimaginative and lax in developing subordinates.

Most of their shortcomings lay within the basic managerial functions which all executives are expected to perform satisfactorily regardless of the special demands of their particular jobs.

As a ready check on your own performance and that of an immediate subordinate or even superior, here are a number of duties within the major functions that are fairly common to managerial jobs.

As a simple three-way analysis, ask what functions are most important to the job you perform, your subordinate performs and your superior performs? On what functions can you or they improve?

**Here are checkpoints you can use in measuring the performance and promotability of subordinates:**



## A—Planning

1. He understands clearly his job responsibilities and authority.
2. He formulates realistic plans and schedules to carry out his job.
3. He classifies the work to be done, divides it into components, creates orderly and productive arrangements.
4. He utilizes his resources (manpower and other) productively.
5. He establishes priorities for work to be done, by himself and his people.
6. He minimizes the necessity for overtime.
7. He sees that each person understands his responsibility and authority.
8. He plans and conducts effective meetings as required; avoids unnecessary meetings.
9. He uses meetings to develop people.
10. He shows his people how each job fits into the total picture.
11. He sees that his people have the equipment and materials they need.

## B—Initiating

1. He recognizes and corrects situations which need improvement.
2. He originates new approaches to problems.
3. He makes the most of a promising new plan or idea.
4. He puts into operation worthwhile suggestions that are made by his people.
5. He encourages his subordi-

nates to try the new methods and new ideas.

6. He faces up to situations.

## C—Delegating

1. He effectively delegates responsibility and authority.
2. He avoids trespassing on authority, once delegated.
3. He periodically checks performance on duties that are delegated.
4. He encourages his people down to the lowest level to make decisions.
5. He concerns himself with a minimum of detail.
6. He defines jobs for his people that provide greatest challenge and opportunity.
7. He inspires in his people the willingness to work toward objectives.
8. He makes full use of the skills and abilities of his employees.
9. He provides the necessary know-how for his people as required.
10. He has his employees participate in setting work objectives and schedules.
11. He gets group reaction on important matters before going ahead.
12. He carries out policies enthusiastically.
13. He generates a sense of belonging.
14. He encourages cooperation with others.
15. He goes to bat for his employees when necessary.
16. He maintains a proper balance of interest between his work group and other departments and divisions. (continued on next page)





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## FUTURE MANAGERS

*continued*

### D—Decision-making

1. His decisions are consistent with policies, procedures and objectives.
2. His decisions are consistent with the economic, social and political climate.
3. He keeps within the bounds of his authority and ability in making decisions.
4. He considers and interprets correctly the important facts in solving a problem.
5. He uses his own and the experience of others in reaching conclusions.
6. He accepts responsibility for his decisions, even when he has consulted others.
7. He makes decisions promptly, but not hastily.
8. He makes decisions that are realistic and clear-cut.
9. He takes calculated risks, based on sound decision-making.
10. He converts his decisions into effective and decisive action.

### E—Communicating

1. He keeps informed on how his people are thinking and feeling.
2. He encourages his employees to express their ideas and opinions.
3. He listens with understanding and purpose.
4. He responds intelligently to criticisms of his own actions.
5. He handles questions satisfactorily.
6. He keeps his people informed on changes in policies and procedures and all other matters affecting their work.
7. He recognizes good work and expresses appreciation.
8. He explains the why of his decisions.
9. He makes significant contributions in meetings, both in listening and in speaking.
10. He expresses himself clearly and effectively—in writing, speaking and manner.
11. He informs higher levels of management of his employees' accomplishments and development.

### F—Developing

1. He selects properly qualified people for jobs.
2. He helps new employees adjust to the job and the group.

3. He creates in people a desire to do a better job.

4. He systematically evaluates the performance of each of his people.

5. He keeps people informed on how they are doing.

6. He uses constructive criticism, reflecting a helpful attitude.

7. He discusses with his people their career opportunities.

### G—Relationships

1. He is firm and fair in dealing with his people and his associates.
2. He is able to "take it" when the going is rough.
3. He shows that he enjoys his work and his associates.
4. He does things which make it pleasant to be a member of his group.
5. He makes it easy for people to talk to him.
6. He visits his people and his associates in their offices and work places.
7. He interests himself in the personal well-being of others.
8. He participates suitably in community activities.
9. He participates suitably in social events of his employees.
10. He understands both on-the-job and off-the-job problems of his people.
11. He tactfully adjusts to personalities and circumstances.
12. He sells his ideas to others.

### H—Standards

1. He uses systematic methods to measure performance, productivity and progress.
2. He and his people jointly develop their objectives and standards of performance.
3. He evaluates continually to re-adjust the organization and work standards of his group.
4. He sees that standard operating practices are followed by his people.
5. He fixes accountability.
6. He faces up to failures in meeting standards.—EARL BROOKS  
*Professor, Graduate School of Business and Public Administration, Cornell University*

**REPRINTS** of "Yardstick for Future Managers" may be obtained for 10 cents a copy or \$7.00 per 100 from *Nation's Business*, 1615 H Street N. W., Washington 6 D. C. Please enclose remittance with order.



## Changes should be introduced to avoid giving workers a sense of insecurity

it is a real problem and one which impairs efficiency, safety, maintenance, morale, or coordination.

When we stop to think about it, many changes in work routines, machines, personnel, physical location, procedures, and systems take place without employee resistance. Why?

Employees in these work units, who are working closely with each other, sense the existence of a problem as they encounter a block or difficulty. Having identified themselves with the problem, they begin to swap ideas about short cuts, adjustments, or solutions. The change is made so easily and naturally that they seldom think of it as a change. They regard the problem as a real one which they have spotted, identified themselves with, and solved. Also, the change was not imposed upon them from outer space.

Walter R. Mahler, industrial psychologist, says employees must first "see and feel the need to change" since an organizational change often has some impact upon their work habits, skills, retraining, and performance in the work unit. If they can identify themselves with a real problem and one which warrants the search for a solution, they have a springboard from which to take off. They usually want to collaborate in determining the change needed. If they cannot identify themselves with the problem or if they cannot see the need for a change, they regard themselves as being pressured, manipulated, or maneuvered.

### Reassurance

It is a basic tenet in industrial psychology that employees will seek to protect the satisfactions they already have, and that they will be apprehensive of any change which will deprive them of these satisfactions. If this anxiety is not resolved, change is resisted. To manage any change effectively, then, management must recognize this source of employee anxiety and do what it can to remove it.

Over a 10-year period of polling workers to determine their basic wants and satisfactions, Elmo Roper has found that it adds up to this: 1, security, 2, opportunity and a fair chance to advance, 3, being treated as a human being and having the

satisfaction of good social relationships on the job, and, 4, creditably performing a worth-while job.

Among the basic satisfactions are the employee's pay, working conditions, fringe benefits, skills, status and esteem, recognition of accomplishment, promotion prospects, buddying with others of the clique, safety, and other satisfactions.

He knows the demands, expectations, and satisfactions of the present job. He doesn't know what a changed situation will bring about and what he does not know he tends to suspect and sometimes fear.

Resentment and resistance build up whenever a change is proposed. Whether the change does in fact constitute a threat or the employee imagines and exaggerates it, the emotionally charged situation is there.

Let's go behind the scenes.

A plan is under way to absorb the purchasing branch into a consolidated administrative services branch. The personnel in the purchasing function feel that this smacks of nonrecognition of their accomplishments. They resent being absorbed into the new branch because they feel they will lose in prestige and status.

Word gets around that the method of assigning overtime work for the building guards is to be changed. The guards are in a state of anxiety because of their concern over what this may mean to their opportunities for earning overtime pay.

Management must recognize these sources of anxiety and insecurity, anticipate the feelings and attitudes which may develop, and take steps to reassure the workers that the perceived threat to their basic needs and satisfactions is not well founded. It is important that management disclose the reasons for the change and, to the extent possible, reassure employees that these reasons are not derived from any desire to disrupt their on-the-job social relationships, deprive them of rightful opportunities for earnings and advancement, or reduce their rank, status, or prestige.

For the most part, change is not intended to affect basic satisfactions of employees.

Failure to reassure employees will result in communication falling upon deaf ears and unwillingness to take

active part in making the change possible.

### Communication

Poor communication alone could wreck the psychological foundation for change. Communications barriers can develop between upper management and the staff specialists, between staff specialist and line supervisor, between supervisor and employees, and even between the old-timers and the younger workers within the employee group affected.

Planning is the keynote. It is vital that management put as much care into planning a change as it does into planning its budgets, advertising, or public relations.

Failure to plan results is an attempt to effect change by assumption, and you can't assume when it comes to dealing with the human factor in change. Nor can you handle the communication responsibility by an intercom broadcast, a brief statement in the monthly house organ, or any other faceless medium. Since the tasks of getting people to identify themselves with the problem and relieving their anxieties and fears are problems of real magnitude, there must be, in addition to other measures, a good deal of personalized, face-to-face, give-and-take communication in effecting a change and gaining acceptance for it.

Nothing arouses employee antagonism toward management more than springing a change on workers. It is a must that communication begin by informing employees in advance of a proposed or pending change.

Second, there should be clear and frank communication on the part of management in regard to the background of and reasons for the change. This could do much to alleviate the strain and tension—and, equally important, to beat the grapevine with its speculations, distortions, and spread of rumor and discontent.

Third, management should keep in touch with employees or their spokesmen throughout the planning, introduction, installation, and follow-through of the change. Handling the initial announcement through good communication is not enough. Otherwise, employees may regard the springboard announcement as merely a token communication and are kept in the dark from there on. Communication on a continuing basis and at each strategic point is another must.

Fourth, communication implies a basis for discussion. Unless management gives employees an opportunity to air their views, it does not remove the basic discontent which springs



## EMPLOYEE SUPPORT

*continued*

from brewing doubts and uncertainties. William Ruchti, associate editor of *Supervisory Management*, made a study of turnover and quit patterns in industry which indicates an alarming situation. Thirty-one per cent of employees, interviewed as to how they felt about their companies, said "they were never told the reason why policies and procedures affecting their work were changed."

One of the most significant communication booby traps is management's inability to get itself across in understandable and convincing language.

Several barriers must be overcome. Research studies in industrial psychology have shown a tendency for employee morale to decline with the increasing size and structure of the organization. Bigness seems to breed impersonal systems and administrative controls which hamper clear communication. People are more secure in the smaller organizations, attain better understanding of each other's views, are quicker to size up and ally themselves with the problem.

In the larger organization they are suspicious of that "guy in the front office who dreamed up this change"—and there are complexities and difficulties in getting across to those affected at the site of the change.

Management must find, in such organizations, a way to personalize communication, break through the bigness and the impersonal climate. Effective management and skillful communication by middle managers and line supervisors are the keys to achieving this and communication skill when undertaking a change is the real test of managerial competency.

Another communication block results from blind spots and attitudes which have developed in regard to staff specialists who often trigger the proposed change. Specifically, line supervisors and their workers often are leery of the staff specialist and his intrusion upon line operations and personnel programs. They look upon the staff specialist as a man trying to justify his existence by dreaming up projects, experiments, changes, and tampering with established systems and practices. Moreover, they often cannot understand the specialized language he speaks.

Most important, where the staff specialist's explanation has a relationship to work standards and the

employees do not know what's expected of them under the proposed change, we're dealing with a highly explosive situation. The answer: Get the staff man closer to the operating scene. Let him learn how the workers think and express themselves on the job so he can convert his own thinking into clear language.

The line supervisor is also in for his share of vulnerability. In many cases employees feel that their supervisor is willing to go along with the staff specialist's proposed change just to appear knowledgeable, to be on the right side of management, and to advance his own ambitions. His inability to communicate or interpret the essentials of the change and his tendency to oversimplify the pro-

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posal and brush aside the critical questions without adequate answer, however, only intensify the employees' attitudes of doubt and build added resistance to the change.

One more tip regarding communication: To the extent possible, single out the employee group's informal leader and try to have him interpret the reasons for and the implications of the change. It is well to communicate with and through him to the extent possible—but not to the exclusion of communicating with the whole group at various strategic points in effecting the change.

#### Participation

Although management has the right to hire, reward, punish, and

fire employees, when it comes to the matter of effecting a change the employees affected can do one of several things: They can, by various techniques, reject the change by sabotaging it in devious ways; they can slow down the rate of the change; they can reduce the effects or anticipated gains of the change; they can demand a showdown in regard to the change and carry on a prolonged controversy. Any one of these actions can be damaging. The extent to which any one of these is exploited depends upon the extent of the employees' participation in making the change.

Lay the groundwork for participation. Recognize that change is effected more easily and with fewer ulcers when the pressure comes from within the group rather than from an outside source.

Guidance, leadership and perspective should come from the outside sources of the staff specialists and the supervisor as representatives of management, but it is vital that we tap employee suggestions, views, criticisms, sense of realism as to what will or will not work, and consideration of possible solutions.

Employee participation is a decided asset to management, psychologically as well as functionally. It enables those involved to understand the various aspects of the change and what will be expected of them. The plans for the change are usually improved when they participate, for they point up realistically needs for adaptations within the proposed change.

#### Mutual interest

Changes are or should be generated, of course, to solve certain problems. Generally, the problems plague both the immediate work unit, the supervisor, and management, and the solution serves the mutual interest of the employees and management.

Management will do well to point up this precept of mutual interest. A sound approach is to appeal to the realistic personal goals of the employees—their own productivity potential, job enlargement, growth and development, opportunity, safety, wider scope of responsibility, more margin for initiative and creative thinking, and other satisfactions.

Show how the former system had its difficulties, its shortcomings, and weaknesses and how the new system will benefit employees as well as management. There is the highly controversial area of labor-management relations when change involves formal mediation or collective bar-



gaining on wages, fringe benefits and allied interests and where the thesis of mutual interest does not always register. But there is a wide and extensive area of change potential in the business enterprise where the concept of mutual interest *does* register. It's worth tapping.

#### Follow-through

It takes time to shift to new job situations, and it is important that management allow time for adjustments. These adjustments are of three kinds: organizational, technical, and human. We enter into change with the expectation that things will work better than before. Difficulties in the organizational unit and its supervision, in the technical application and use of skills and abilities, and in personal adjustments, or any combination of these, may cut down on the expected gains.

Sound follow-through on the supervision, technical operations, and employe morale is necessary to detect the weaknesses or unanticipated difficulties and to take corrective measures in hitting closer to the target. Controls may have to be relaxed for a while because of the time element or need for reorientation. You may have to shift from a fast pace to a more transitional change. You may have to examine whether the benefits did accrue to the extent that you thought they would. Disciplinary measures may be needed against the one or two rebels who, for some reason, still do not go along after the change has been accepted and put into action.

In short, the follow-through is an important stage and provides an opportunity to capitalize on weaknesses here and there. Failure to manage this stage may result in the accumulation of weaknesses and decline in employe morale to the point that the change could be discredited.

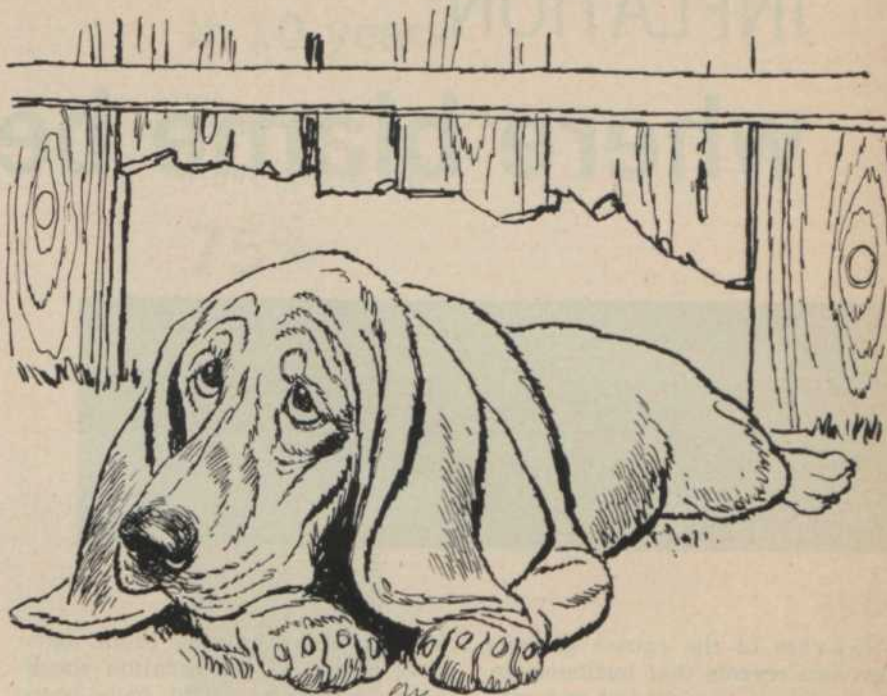
Finally, the awareness of the employes that management is alert to the importance of follow-through, and is not cocky or egoistic enough to believe that the effected change is a sure thing, has a significant psychological effect.

In the follow-through, again, there may have to be a repeat cycle of identification with other problems, communication, participation, and indication of mutual interest.

—NATHANIEL STEWART

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# INFLATION: where blame belongs

Facts show role that government and unions play in price changes

ANALYSIS of the causes of price increases reveals that businessmen, on the whole, are free of responsibility for causing inflation.

It shows that the major blame for inflation must rest squarely on government and labor—in that order of importance.

The principal cause of price increases in the past decade has been federal government activity. Historically, most periods of price increases coincide with or immediately follow periods of increases in federal spending. A NATION'S BUSINESS inquiry into the problem pinpoints the various ways in which government action, including spending, tends to heighten inflation.

The analysis further shows that business not only has not been a prime cause of inflation but, by absorbing wage increases through reduced profit margins, has, in fact, prevented inflation from getting worse.

Look at these economic facts:

▶ Wages and other employee compensation account for 82 per cent of the increase in national income during the past 10 years while corporation profits before taxes account for 2.5 per cent of the rise.

▶ Compensation of employees after taxes rose 75 per cent in 10 years while profits after taxes declined 13 per cent.

Thus businessmen are already ab-

sorbing, through lower profit margins, a part of the inflation shock which otherwise might have been passed on in price rises. The decreasing share of corporate profits as a proportion of national income substantiates this.

Although the United States has just gone through the longest period of price stability on record, some price changes are possible in the months ahead. First, seasonal changes are occurring now. By fall some slight but more lasting increases are likely.

Fiscal and economic authorities, including Federal Reserve Board Chairman William McChesney Martin, warn that coming months will bring new developments that could add dangerously to the inflationary movement of our economy. Among these are union demands for higher wages and additional fringe benefits.

Indicating the high-level concern over these dangers is the fact that a special presidential committee headed by Vice President Richard M. Nixon is studying the inflation problem. Committees of Congress are continuing to look into the causes and possible solutions for this economic disease.

By better understanding the part which government, unions and business have played in past inflationary periods, businessmen and others will be better able to take needed action to prevent new onsets of inflation and its value-depleting effect

on the assets of all Americans, particularly those with fixed incomes.

## Government

The federal government buys 12 per cent of all goods and services produced in the United States. This substantial demand tends to bid up both prices and wages. In several industries, particularly those supplying military equipment, the government is such a large customer that, by adding to demand, it can exercise an important influence on the price of products.

The program of stockpiling strategic and critical materials affects the general sales price of these commodities.

The Atomic Energy Commission has established "guaranteed fair" prices for various nuclear materials.

As the country's most important employer of labor, the government determines the wage rates and working conditions for a sizable part of the labor force.

Federal labor standards, set under the Walsh-Healey and Fair Labor Standards Acts, have substantially increased labor costs.

As a seller of goods and services, the federal government can influence the aggregate level of prices. By halting or reducing its sales of commodities to the public, it can support the general price level during a period of surpluses.

Under a large number of programs, the government sells goods and services to private purchasers. This includes electric power from the Interior Department and Tennessee Valley Authority projects, materials produced by the Atomic Energy Commission, and mail delivery. When government sells these goods and services at less than their full cost, the difference must be made up by taxes, tending to raise costs for all business firms.

Prices are also affected by federal credit programs. Guarantees of



## In 10 years

Wages after taxes  
have gone up

**75%**

residential mortgages by the Veterans Administration and Federal Housing Administration have stimulated the construction industry, increasing the willingness of builders to undertake construction by reducing the equity required to invest in projects and by raising expectations as to the salability of the final product.

This expansion in demand for housing has often resulted in increases in prices of building materials and existing homes.

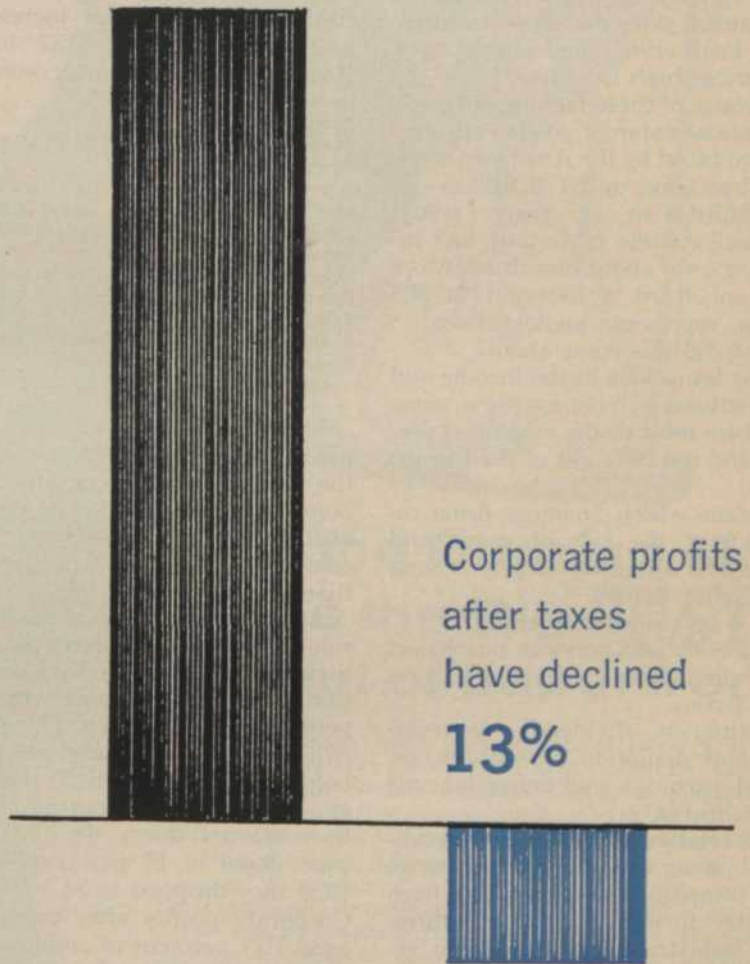
Federal monetary and fiscal policies, expressed by the Federal Reserve Board and the Treasury Department, have a profound effect upon prices.

The public debt, exceeding \$285 billion, is held in large amounts by all classes of investors, including individuals, banks and other financial institutions. With substantial budget deficits, plus the debt roll-over exceeding \$40 billion a year, government interest rates seriously affect the rates individuals and business concerns must pay for loans. Interest rates affect the demand for housing, the amount of borrowing for capital expenditures and for plant expansion and modernization.

The supply of money and the amount of credit and its general availability are affected by Federal Reserve Board actions. Changes in tax rates increase or decrease the amount of disposable income available for consumer purchases.

These many facets of federal activity have substantially affected the price level during the past decade.

State and local governments buy about nine per cent of the goods and services produced by the U. S. economy. They hire about 5.9 million persons. Although they have some effect upon prices, particularly in the construction field, they are principally victims rather than creators of inflation. State and local govern-



Businessmen have absorbed, through lower profit margins, part of the inflation impact which might have been passed on to the public



## INFLATION

continued

ment debt policies, taxation, and the influence of their purchases all affect prices considerably less than similar programs at the federal level.

### Labor

Organized labor follows the federal government in responsibility for higher prices. During the past 10 years prices have increased faster in highly unionized industries, and also faster in industries with the highest wage increases. The downward rigidity of wages has barred substantial price decreases in many lines. Featherbedding has kept costs and prices high in others.

Because of these factors, although the annual value of goods and services produced by the American economy has gone up \$178 billion—or two thirds—in 10 years, actual physical volume of output has increased only about one third. More than one third of the gain, or \$65 billion, represents higher prices.

How did this come about?

First let us look at the income and expenditures of business firms, since they hire most of the employed persons and receive most of the income spent.

Income which business firms receive from the sale of goods and services is allocated largely among four major items:

1. Wages and salaries.
2. Goods and services purchased from other firms.
3. Taxes.
4. Interest, dividends, depreciation and depletion allowances, retained earnings and miscellaneous expenditures.

The relative allocation of expenditures among these categories varies from company to company and from industry to industry. Retail stores, food industries and petroleum refiners, for example, devote a relatively small proportion of their income to wages and salaries but spend a large proportion for goods and services bought from others. Most service industries pay a large proportion of their income for wages and salaries. Taxes are relatively high for public utilities and other industries with substantial excise taxes.

If expenditures for all our four million business firms were added together, the allocation would be: approximately 30 per cent for wages and salaries; 50 per cent for goods and services bought from others; 10 per cent for taxes, and 10

per cent for interest, dividends, depreciation and depletion allowances, retained earnings and all the other things for which business must spend.

This allocation, however, presents a misleading picture. Firms supplying goods and services use part of their income for wages and salaries. Transportation costs also include wages and salaries. Portions of the interest costs paid to banks and insurance companies are used for employees' salaries.

A clearer picture requires allocating all income to the individuals receiving it, as in the U. S. Department of Commerce national income statistics. The 10-year increase in national income is \$137 billion. Here is where the money went:

Compensation of employees .....	Up \$112.8 billion
Income of unincorporated businesses and farms .....	Up 5.0 billion
Rent .....	Up 4.9 billion
Interest .....	Up 9.0 billion
Corporate profits before taxes .....	Up 3.4 billion
Corporate taxes .....	Up 6.0 billion
Corporate profits after taxes .....	Down 2.6 billion
Inventory valuation adjustment .....	Up 2.0 billion

Wages and other employee compensation make up 82 per cent of the increase and corporate profits before taxes account for 2.5 per cent of the total rise, while corporate income after taxes is 13 per cent less than it was a decade ago.

Additional evidence of the limited role corporate profits have played in higher prices is shown by a comparison of corporate profits with compensation of employees. During the five years 1949-53, corporate profits before taxes averaged 21 per cent of employee compensation. Then they started down. In 1957 they were down to 17 per cent and in 1958 they dropped to 14.3 per cent. Corporate profits after taxes averaged 10.7 per cent of employee compensation for the period 1949-53 but were only 8.6 per cent in 1957 and seven per cent in 1958.

Wage increases substantially exceeding productivity increases have been a major factor in nonfarm price rises. Since 1948, average hourly compensation in current dollars has gone up 63 per cent. Yet real product produced per employee man-hour has increased only 27 per cent—less than half as fast.

It is usually difficult to trace the direct relationship between wage increases and price increases. In food, textiles and many other industries, the cost of raw materials fluctuates widely due to amount of production,

government price supports or guarantees, strength of export and import markets and other factors. In transportation equipment, electrical machinery and other industries, the product mix varies widely, with labor costs constituting a different proportion of product cost from time to time.

However, for some industries, the effects of wage increases upon prices can be clearly seen. Steel is a good example.

For more than a decade the price of 40 pounds of finished steel has been almost identical to average hourly earnings in the blast furnace, steel works and rolling mills industries.

This ratio has been maintained from 1947, when wages were \$1.32 per hour, until now when wages are above \$3 an hour.

Profits per dollar of sales, however, declined from an average of 6.4 cents during the period 1947-52 to 5.9 cents during 1953-58.

Similar patterns can be found in the machinery industry and the nonmetallic minerals industry, although the relationship is not so close as for steel.

Data collected by government agencies show that average hourly earnings have gone up three times as fast as the Wholesale Price Index while corporate profits as a per cent of the sales dollar have plunged more than a third.

Here are the facts:

Average hourly pay for all manufacturing companies has increased 58 per cent in the past decade.

The Wholesale Price Index for manufactured products, meanwhile, has gone up 17 per cent.

But profit margins as a per cent of the sales dollar have plunged—from 11.1 cents per sales dollar to 7.4 cents per sales dollar.

This is before-taxes profit.

Here's how some specific industries fared:

► Primary nonferrous metal industries—Average hourly earnings soared 73.9 per cent; the Wholesale Price Index went up 18.1 per cent; profits as a percentage of the sales dollar dropped 5.9 percentage points.

► Fabricated metal products—Hourly earnings went up 62.6 per cent; Wholesale Price Index went up 39.4 per cent; profits dropped 5.4 percentage points.

► Electrical machinery—Hourly earnings went up 55.9 per cent; Wholesale Price Index went up 51.5 per cent; profits went down 2.4 percentage points.

► Motor vehicles—Hourly earnings



climbed 57.7 per cent; the Wholesale Price Index went up 37.9 per cent; profits plunged 5.7 percentage points.

► Rubber products—Hourly earnings went up 61.4 per cent; Wholesale Price Index went up 41.2 per cent; profits dropped slightly, by 0.8 percentage points.

► Textile mill products—Hourly earnings went up 29.8 per cent; the Wholesale Price Index rose only 0.9 per cent; profits nosedived 10.3 percentage points.

► Food and kindred products—Hourly earnings climbed 65.6 per cent; Wholesale Price Index went up seven per cent; profits slid down by 1.2 percentage points.

► Chemicals and allied products—Hourly earnings went up 70.4 per cent; the Wholesale Price Index went up 6.6 per cent; profits dropped 1.2 percentage points.

#### Business

Obviously, profits have not boosted the price index.

Two reasons they didn't are:

1. Businessmen since 1948 have invested more than \$300 billion in new plant and equipment, a large part of which was for more productive machines.

2. Businessmen have in large part absorbed as much as they could of the inflationary wage-cost increases through lower profit margins.

Businessmen thus have helped prevent what otherwise might have been a devastating inflation.

A real test of business ingenuity to cope with these pressures is coming this year. Union leaders are planning to call more strikes than America has seen in many years—unless businessmen yield to union demands for higher wages and more fringe benefits.

Despite the significant rise of profit totals from last year's low profit rate, some economists doubt that business will be able to absorb many more increases that exceed productivity.

The principal influence of business upon the price level lies in productivity changes. Rapid productivity gains often permit substantial wage increases with little price increase—or even a decrease.

Federal tax policy, however, now discourages needed capital investment and in many lines has slowed down or stopped productivity gains.

Thus it appears that future inflation trends will depend a great deal more upon action by the federal government and labor than upon what business does.

END



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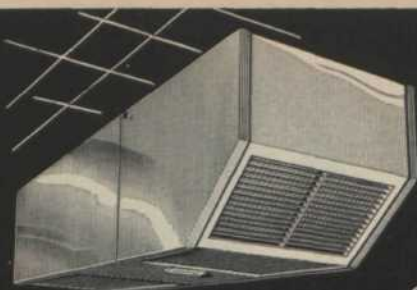
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## SPENDING SPREES

*continued from page 29*

of the first \$30 paid by the state government to an aged beneficiary and somewhat smaller percentages of further amounts. The average, depending on provision of state laws, runs about 57 per cent.

Common sense indicates that the law should be revised to restore gradually a balance between the federal and state sharing of costs. It is too tempting for a local official, when the local share is so small, to be careless in questioning the addition of one more name to the rolls.

These examples indicate the problems in reintroducing a margin of turn-around room in the budget totals. Nevertheless, unless they are settled, there will be no alternative to the upward creep of expenditures. Furthermore, it will be inevitable, in the absence of savings, that new programs adopted on a significant scale will force the budget into more and more deficits, or will compel an increase in taxes.

It is important, then, to measure realistically the forces opposing balanced budgets. Having held the 1960 budget within reasonable bounds, we cannot relax.

The problem is to focus public opinion on the budget so that the leadership in both parties (which is inherently responsible and patriotic) will have the necessary support in its efforts to hold back the pressure for spectacular spending, which would produce big budget deficits.

One lesson we have learned in the battle of the 1960 budget is that little is to be gained by being for the balanced budget as an abstraction. Some proponents of vast spending are equally for the balanced budget—in the abstract sense. What counts is a public knowledge of the specific issues that lie behind the great totals, and attack against one spending salient at a time.

The business community can do much to bring the issues of a balanced budget before the individual taxpayers, and give them meaning. Much good has been accomplished recently along these lines. Business associations, trade groups, professional societies, and fraternal organizations have turned their research and public relations staffs to work on the subject. Great credit is due them for the results. One businessman of my acquaintance personally distributed thousands of copies of an analysis of the facts concerning the 1960 budget.

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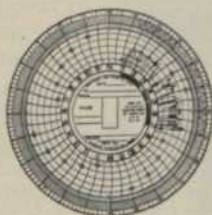


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lending institutions have conducted effective nonpolitical educational programs on the factors influencing inflation—including the relationship of the federal budget to inflation. All this activity stems from the awakening of business leaders to the alarming trend of government toward greater spending in the face of insufficient revenues to balance the budget.

American business, then, can fill a critical public need for reasoned, factual information on the specific budget issues which ordinarily are not brought within the understanding and range of action of the average taxpayer.

It is not a question of opposing progress. It comes down, in the final analysis, to the responsibility of the business community to help make democracy work as it should, by helping the individual citizen to see the choices he must make and the opportunities he has to influence his own and his country's future. Approached from this viewpoint, the task can lead to worthwhile results. Good government is made by good citizenship.

Basically, of course, every budget issue turns on the central attitude of the citizen toward the services and responsibilities he expects from his government, always assuming that he realizes who will pay the bills.

Even the business community is not entirely blameless for the government's budgetary predicament. Special benefits to business cost the taxpayer money, too. If businessmen genuinely believe in a balanced budget, they must include themselves in their appeal for economy. If they ask other groups to be satisfied with less than they are now getting, or to do without some new program or old subsidy, they must be ready to do likewise.

Balancing the budget is an impartial undertaking, and an objective one. More than that, it is not an isolated episode for this year. The budget will not be in the black in 1961 and 1962 unless we go at it with determination. Only then can we go about accomplishing our major objective—to reduce the massive burden of our \$285 billion national debt. This will test the nation's capacity to stand by what it has shown to be its convictions. The American public has responded effectively to the President's leadership this year. Only a comparable response will produce the necessary budgetary balance and some debt reduction in 1961 and 1962 and the years to follow.

END



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# MAKE YOUR "NO" CREATIVE

Nine guides help managers reject requests and still keep morale high

SAYING "NO" is a vital part of the executive's job.

No is an easy word to mishandle. Said too brusquely, it can weaken morale and cause employee ill will. On the other hand, the dangers in pussyfooting are more subtle, and therefore more perilous.

Both these dangers can be avoided by observing nine simple precautions:

- ▶ Prepare the way.
- ▶ Keep hopes reasonable.
- ▶ Promise a decision by a definite date.
- ▶ Consider all proposals seriously.
- ▶ Give your answer when promised.
- ▶ Be direct.
- ▶ Accept responsibility.
- ▶ Don't apologize.
- ▶ Follow up.



Keep employee hopes reasonable

Occasionally, sensitive individuals may require special handling, but usually these basic points will enable you to handle most rejections smoothly.

## **Prepare the way**

Preparation for a possible "no" answer has to begin before the employee makes any formal request.

Your men should know that you're glad to listen to their ideas even though you obviously can't approve them all. If you fail to make this willingness clear, or if you don't emphasize it often enough, people may assume that you really don't want to hear what they have to say.

This may seem to leave them no choice but to try to get what they want by going behind your back.

Executives often assume that everyone will realize that they are free to step forward to ask for something. This is not true. Nonsupervisory employees have just as much pride as managers and, with few exceptions, do not want to appear to be busybodies or favor-seekers. Therefore, the employee tends to interpret anything but a definite green light from his manager as an implied red light. If you really want your men to feel free to speak to you, you have to show a green light personally by periodically asking for suggestions and requests. But you should also make clear that any new idea, proposal or request must be judged realistically as to its worth.

## **Keep hopes reasonable**

Even without specific encouragement, people have a way of building up their own hopes—sometimes to unrealistic levels. This is most likely to happen when the odds against their ideas haven't been made clear to them. The bigger this inner build-up becomes, the harder the letdown. Complete frankness from the start is actually kinder, in the long run, than letting people enjoy their illusions.

Often an executive refrains from crushing an employee's hopes because it seems more humane to postpone the blow until later. This is not humane at all





Have deadline for answer

if it leads to a bigger disappointment in the end. This kind of humaneness is often a rationalization for a fear of being disliked by one's subordinates. In this way, a timid manager may unintentionally victimize the people he thinks he is protecting.

This is especially true in hiring and promoting. It's usually unwise to let a man think he's sure to get a job or promotion until the decision has actually been made. Sometimes a manager's enthusiasm for an applicant will cool as more information about him comes in. But in the meantime the applicant or candidate may feel that the manager's attitude implied a promise that the job would be his. Whether such promises are actually made, or only surmised, the effect is the same: The turndown comes as a shock and tends to be viewed as an injustice. Naturally, you'll want to encourage promising applicants; but make it clear that the possibility that they won't be hired or promoted remains open up to the last minute.

Keep applicants posted frequently on where they stand, even if only to tell them that there's been no further progress toward a decision.

Most important of all: Let people know promptly when they've been dropped from consideration.

#### **Promise a decision**

When you commit yourself to making up your mind at a specific time, you're demonstrating three important points:

First, that the request hasn't simply gone in one ear and out the other.

Second, that the idea will be given active consideration.

Third, and most important, that you respect your employees too much to keep them on the hook indefinitely.

This simple act of voluntarily pinning yourself down to a specific deadline can remove much of the mistrust and apprehension that normally builds up when an employee fears that he won't get a square

deal. Even when the decision goes against him, he's more likely to accept it gracefully if he's seen this evidence of fairness and consideration.

#### **Consider proposals seriously**

People who are assured that their request has had a fair hearing can accept a turndown far more easily than those who suspect a fast shuffle.

An employee needs no special sensitivity to note signs of disinterest, haste, or a shallow grasp of the issues in the manner with which an executive announces a decision. An employee with poor morale can even read these qualities into the executive's manner when they aren't really there. Although there is no airtight way to prevent this, the best defense against it is simply to make sure you've really tried to see the merits in every employee request.

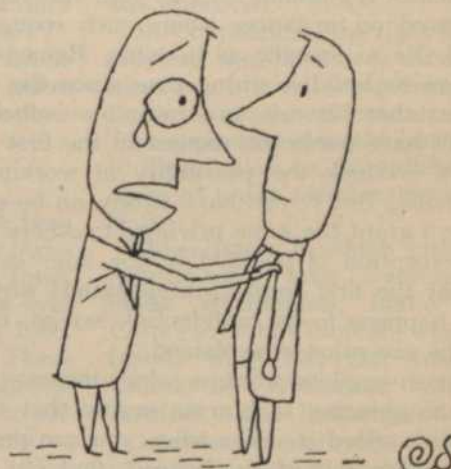
This policy can pay unexpected dividends. Many a seemingly impossible idea has at least some merit when it's examined closely enough. Sometimes an unreasonable request contains a clue to something that's wrong with a particular operation. Or it may suggest another, better solution than the one the employee advanced.

#### **Answer when promised**

The employee is likely to grow more and more impatient as the day of the promised decision draws near. He may construe anything you say or do—or don't do—as a hint of what you're planning to say. This normal but unconstructive guessing game should not be allowed to go on any longer than necessary for two reasons:

First, in this heightened state of tension, the disappointment of being turned down can be magnified out of all proportion to its significance.

Second, it tends to start waves of rumors which confuse employees and may even lead to misunderstandings of what management is really up to. The best way to prevent this is to take the employee aside



Don't apologize



## MAKE YOUR 'NO' CREATIVE

*continued*

promptly at the promised time to make your decision known to him.

### **Be direct**

Instead of building up unnecessary suspense, begin by telling him what he's most interested in hearing. A quick no is easier to take than one that is drawn out and prefaced by a lot of explanation that builds up to a slow, ominous climax. Then, having stated your decision, indicate briefly why you made it. Present the facts as you see them, making sure to tick off both the pros and cons. To present only the disadvantages can be taken as a sign that you weren't aware of the advantages.

In explaining your decision, remember to be specific. Nothing is more frustrating to a disappointed employee than a lot of generalities. Even if they're valid, he's likely to think that they're just a smoke-screen to hide the real reasons.

### **Accept responsibility**

Don't blame policies, precedents, or your own superior for a decision. Make it clear that the decision is yours, or that you concur in it. Otherwise you may simply lose the employee's respect without gaining his sympathy. Any kind of pretense that the rejection would not have been made if you had more control over the situation merely makes you look like a messenger boy for somebody else. At best, the employee may decide that he should have gone over your head in the first place; at worst, he may feel that you are insincere and untrustworthy.

If the request was for a special favor, it's futile to try to justify a turndown by citing the rules or precedents that would be broken if it were granted. Even if the employee didn't know about the rule, he'll probably think that it wouldn't hurt the company to make an exception in his case. He won't be convinced unless you show him why it will hurt.

Point out the specific effects that granting the request would have on production, morale, safety, or other factors. If possible, back up your statements with facts based on instances where such requests were granted. Be as specific as possible. Remember that you have to build a strong case since the employee considers that his case is strong, too—otherwise he wouldn't have made the request in the first place.

Don't overlook the possibility of working out a compromise. But if you have to say no be sure that you don't grant the same privilege to others later on. If an exception is justified in the later case make sure that the first employee understands why. If the reason happens to be confidential, say so; but don't leave the exception unexplained.

When an employee wants a salary increase, nothing is so unconvincing to him as saying that the company can't afford it—even when you can prove it to him in black and white. Instead, find out whether his request is based on a financial need or on the feeling that he's worth more than he's getting. If it's need, perhaps you can help him arrange a loan, or try to help him with his budgeting. If you don't agree

that he's earning more than he actually gets paid, tell him so frankly—and explain why. Then suggest ways in which he can improve his value to the company.

Blaming the decision on something, rather than backing it solidly, also suggests that management is divided, or is letting itself be hamstrung by outdated traditions. The best way to make clear that the decision is the best one you could have made is to stand squarely behind it yourself.

It might seem that firmness of this kind would alienate many employees. On the contrary, you'll probably find that most men can distinguish honest opposition from attempts to buy their loyalty with empty gestures.

### **Don't apologize**

Any attempts to butter up an employee after rejecting his request, or any unusual attention paid to him, may appear to be an implied attempt to absolve yourself of what you knew was a bad decision. A perfectly innocent and friendly gesture can boomerang, leaving the employee convinced that your decision was unjust. It may even lead him to think that, if he keeps on pressuring you, he may yet get what he wants.

Make sure that your contacts with the employee after rejecting his request show no special favoritism or solicitude. This way you'll be sure not to fan inadvertently any embers of hope he may still have for the idea you've decided not to approve. But don't go to the extreme of stopping your normal contacts with him just for the sake of avoiding this reaction.

### **Follow up**

Let the employee know that you haven't forgotten that he was sufficiently interested in an idea to approach you with it. Even though that idea couldn't be accepted, you'll want him to feel free to express new ones. To make no further reference to his ideas may be taken as an indication that you never took them seriously to begin with.

Remember that people who make requests or suggestions usually like to receive attention, and when they suddenly stop getting it the feeling of disappointment is doubly severe. They may even feel that you're avoiding them to avoid embarrassment. Actually, their embarrassment is likely to be worse if they feel that they've become outcasts in the eyes of management. Try to keep your contacts with a recently turned-down employee as normal as possible.

All of these cues are based on the assumption that candor between executives and employees is better for morale, in the long run, than attempts to side-step or sugar-coat the unpleasantness that is inherent in any turndown. Fairness and courtesy speak for themselves when they are not concealed behind misguided sympathy and fears of hurting other people's feelings.

—DR. SAUL GELLERMAN  
*Consulting psychologist*

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## UNION ABUSES

*continued from page 37*

ganizations and consultants to induce violations by union officers of their obligations.

► Forbids union officials to engage in conflict-of-interest transactions.

New York also increased the penalty under existing law for bribing or soliciting bribes between employers and union officials. For-

merly a misdemeanor, this is now a felony.

New Mexico enacted a law that:

► Bans picketing for recognition from an employer unless a majority of the employees want the union to represent them.

► Makes it illegal to prevent workers from entering or leaving their place of employment through mass picketing, violence, coercion or intimidation.

► Allows a person or business injured by such conduct to recover damages.

Nebraska's new law:

► Makes secondary boycotts unlawful and provides for treble damages to injured persons or businesses.

► Defines a secondary boycott to include causing injury to a person not involved in the labor dispute.

► Makes violation punishable by fine and imprisonment. **END**

# NEW TRENDS IN right to work

Employers and workers are being hurt  
as unions find ways to get around laws

COURTS AND STATE legislatures have been busy with compulsory unionism issues this year although, for the first time since 1952, no state has either passed or repealed a right-to-work law.

Some of the court decisions and rulings may, in some respects, be more significant than new state legislation because, although for the most part they directly affect the rights of unions and employees, they also regulate the conduct of employers. They have already proved costly to some who did not effectively resist union efforts to ignore or circumvent legal restrictions.

Among the new developments are these:

Three state legislatures defeated efforts to repeal right-to-work laws. These laws make it illegal to require a worker to join or not to join a union in order to hold his job.

In three other states, moves to enact such laws failed.

Under a new government policy, employers and unions are being re-

quired to refund dues and initiation fees collected from workers who were hired under illegal union hiring arrangements.

More unions are insisting that workers who do not join a union be made to pay the equivalent of dues as a charge for union services.

Conflicting state court decisions on the political freedom of union members are headed for final decision in the Supreme Court.

### State activity

Bills to repeal right-to-work laws were defeated this year in the legislatures of Indiana, Utah and Iowa.

The only right-to-work law ever repealed was in Louisiana, in 1956, two years after its enactment. There union leaders won the support of farm legislators by agreeing to enact a new law applicable only to farm labor. Delaware and New Hampshire in 1949 repealed labor laws which included right-to-work features.

New Mexico, Vermont and Con-

necticut legislatures defeated right-to-work proposals this year.

In New Mexico and Vermont the proposals were for right-to-work referenda such as six states held last year. In one of the six, Kansas, this was approved.

In Connecticut, the right-to-work proposal was offered as an amendment to a bill outlawing discrimination in employment because of age. The amendment would have made it illegal also to discriminate because of union membership or lack of it.

Other states in which interest in right-to-work laws continues include Washington, Idaho, Ohio, California and Colorado, where referenda were lost last year, and Oklahoma, Wisconsin, Missouri, Kentucky and Delaware.

Louisiana reportedly is showing more interest right now in a law to curb violence in labor disputes.

Some states, where enacting of a right-to-work law would be difficult, are trying to pass laws regulating



## One court has held that union shop violates political rights

picketing. An unsuccessful attempt was made in Illinois, for instance, to put through a law which would outlaw picketing to force all workers into a union when the union does not represent a majority.

Such picketing has been found to be illegal in California in a decision that has been hailed as a virtual right-to-work provision. The state Supreme Court handed down the picketing decision while declaring illegal two right-to-work ordinances passed in two counties—San Benito and Trinity—on the ground that they conflicted with state law and policies. It also voided a Palm Springs ordinance.

These were the only local right-to-work laws in the country. The Taft-Hartley labor law does not outlaw compulsory union membership agreements, but permits states to do so. Apparently the permission does not extend to a subdivision of a state.

### Refunds to employees

Under a new policy, called the Brown-Olds doctrine, the National Labor Relations Board is imposing stiff penalties on both employers and unions when they participate in arrangements which result in hiring only union members. These arrangements are, in effect, a closed shop, which the Taft-Hartley law outlawed in 1947, so the rule is effective in any state, irrespective of any right-to-work law.

The closed shop has been common in the construction, maritime, publishing and entertainment industries, where employment usually is casual or hiring is done through the union. Sometimes a hiring hall is used. This enables the union to control the labor supply and also decide whom the employer will hire. The union shop permits the employer to control the hiring, but those hired must join the union, usually after a period of 30 days.

To be legal, a hiring hall is supposed to be operated—and prospective employees referred to jobs—on a nondiscriminatory basis with respect to union membership. Apparently it hasn't worked that way.

The NLRB, in considering complaints of discrimination by non-union members, has found that

many hiring halls violate the closed shop ban.

A study by the Fund for the Republic found that in Texas there has been no basic change in traditional hiring practices in the closed shop trades since a right-to-work law was adopted 11 years ago.

"In the building construction industry, the statute is almost universally violated," the report states. "Effective closed shops operate throughout the organized segments of the industry."

The NLRB has ordered a number of employers and unions jointly to reimburse union members for initiation fees and dues dating back to six months before charges of hiring violations were filed by employees. Some employers have agreed to pay their half, but none has done so yet because of court appeals filed by the unions involved.

A case involving the Los Angeles Motor Express Co. and the Teamsters Union is expected to provide a major test of the NLRB penalties.

The largest penalty to date has been imposed against the International Union of Operating Engineers, Local 138, in New York City. This union has been directed to repay an estimated \$300,000 in dues collected over a four-year period, under closed shop conditions, from 1,000 employees of 28 companies in the Nassau and Suffolk Contractors Association.

The charges were brought by employees, and since none was filed against the association, the union must foot the entire bill.

Some contractors, however, will have to share in making up pay losses suffered by a few insurgent union members who were denied equal access to jobs.

For a hiring-hall operation to be lawful, NLRB says it must meet three conditions:

1. Applicants must be referred to jobs on a nondiscriminatory basis, and must not be affected by union membership or union rules.
2. The employer must retain the right to reject any job applicant referred by the union.
3. Notices must be posted in conspicuous places stating the conditions of the hiring arrangement, in-

cluding the essential safeguards in points 1 and 2.

### Union service charges

As legal restrictions or employer resistance reduce union power to compel compulsory membership, the labor leaders are working to develop close substitutes.

The result has been the spread of what has come to be called the agency shop. Under it, the employer agrees to require employees who do not join the union to pay the equivalent of dues—sometimes initiation fees and general assessments, too—for the union's services.

Unions argue that, since they are required by law to represent all employees, nonunion as well as union, the nonmembers in the work unit should help defray the union's costs in return for the benefits they supposedly receive.

The other side of this argument is that a minority group of nonmembers actually are "forced riders" who must accept representation by the union whether they want it or not. Because insistence that unions represent all employees comes from the unions, not the workers, the unions should not now insist on being paid for unwanted services they insist on giving, the argument goes.

Commissioner Glenn C. Fleshman of the Federal Mediation and Conciliation Service recently completed a study of the agency shop, which is included in about one per cent of the 110,000 labor contracts negotiated by 164 national unions.

The study gives details of various kinds of agency shop requirements. They include:

- Payment of dues equivalent as a service charge.
- Payments to a charitable organization.
- Payments by religious objectors to the union's welfare fund.
- Issuance of work permits at a price equal to dues.
- Payments for hiring-hall expenses.

If a right-to-work law is not specific or clear on the matter, the question as to whether it prohibits the agency shop usually arises. State laws are divided. In the latest test, the agency shop was declared legal under the Indiana right-to-work law, passed in 1957. A test is under way in Kansas, which enacted its law last year.

A section of the Kennedy labor reform bill which passed the Senate seems to legalize the agency shop and is being attacked by business



groups as an attempt to circumvent state right-to-work laws which prohibit it. In authorizing the checkoff of union dues, the bill would also include "other periodic payments" in lieu of dues.

The House Labor Committee struck this language from its version of the Senate bill.

#### **Political freedom**

Are constitutional rights violated when employees are forced to join a union and part of their dues is used to support political candidates and programs they may oppose?

In Georgia, the State Supreme Court said "Yes" in a case involving employees of the Georgia Southern & Florida Railway Co.

In North Carolina, the State Supreme Court said "No" in a case involving employees of the Southern Railway Co.

This conflict in decisions will likely be resolved by the United States Supreme Court. If the Georgia decision prevails, unions will have to give up compulsory union membership agreements or drastically curtail their political expenditures.

In another situation involving politics and right to work, the International Association of Machinists has expelled three members in California in an action that Secretary of Labor James P. Mitchell has criticized as undemocratic.

The individuals were found guilty of "conduct unbecoming union members" because they publicly campaigned for the right-to-work amendment in California last fall while the union was fighting it.

The international union's president, Albert J. Hayes, who upheld the expulsion, is chairman of the AFL-CIO's Committee on Ethical Practices. His explanation of the case drew critical questions from members of a House Joint Subcommittee considering labor reform legislation, including a bill of rights for individuals.

Mr. Hayes's position was that the guarantee of free speech does not entitle a union member publicly to denounce the union's position. Although a member may express himself freely at a union meeting, he said, he cannot "openly oppose the established position of the IAM to those outside the labor movement and still expect to retain his rights of membership."

Rep. Phillip M. Landrum, Georgia Democrat, told Mr. Hayes that in all his service in Congress he never heard a statement with which he disagreed more violently. **END**

## For a successful right-to-work effort. . .

A private research organization offers this advice, based on the experience of various right-to-work committees, to those groups which want to enact a right-to-work law in their state:

- ▶ Be prepared for a long-term commitment and a well thought out, well organized campaign. It's almost a waste to start a campaign three to five months before election.
- ▶ The right-to-work issue will not sell itself. Putting the issue on the ballot and leaving it to its own resources may do more harm than good.
- ▶ The issue must win broad public support; some local identification with the issue helps, such as using spokesmen from all walks of life in the community—housewives, school teachers, small business proprietors, the local grocer and workers.
- ▶ Right-to-work must be explained continuously and forcefully in different ways, so that the issue will not be poorly understood and obscured by the opposition's propaganda.
- ▶ Explanations must be in terms of people's experiences in words that are acceptable to them, not in high-flown generalities and abstractions.
- ▶ The campaign must anticipate the possibility that it will take more than one election to win. A core group must include able and enthusiastic people who are willing to maintain a continued effort even in the face of initial defeat.
- ▶ Preliminary financial support is essential. The opposition will be well financed. Depending on the size of the state, it will take from \$500,000 to several million dollars.
- ▶ Don't assume that the job is done once the law is passed. Seeing that it is justly and properly applied and that it is not misinterpreted in practice is a continuing task.



# GUIDES TO CAREER PLANNING

## Every businessman can profit from following these pointers

ONE OF THE GREATEST drains on creative energy and productivity is a man's nagging feeling that perhaps he is in the wrong line of work.

Many businessmen at all levels and career stages suffer this vague disturbance. The chances are, however, that most of them are reasonably well suited for the type of work they do. This doesn't mean that they are completely happy. Vocational Utopia simply doesn't exist for most men.

Such job maladjustments as are present can often be eliminated by relatively simple measures. Starting a new career is not likely to be necessary, and even less likely to be practical. The concept of square pegs and round holes is often applied too closely to particular jobs. It should be thought of in terms of occupational areas. Occupational areas are made up of a cluster of jobs that have some common elements. Persuasiveness is a strong element in both the law and salesmanship.

In exploring the area of career planning, NATION'S BUSINESS found deep concern among all levels of businessmen over the best way to choose a lifework, and when and if a career switch should be made. The editors talked with industrial psychologists, vocational guidance counselors, executive searchers, even to men who are currently having career difficulties. To gain even further insight into career planning, one of our editors submitted to a battery of tests given by a professional guidance center.

Intelligent career planning requires a balancing of the idealistic against the realistic. Four factors should be considered:

- ▶ Interests.
- ▶ Abilities.
- ▶ Personality traits.
- ▶ Everyday practicalities.

### Interests

Dr. Julius Segal, Washington, D. C., psychologist, says interests should be thought of in the broadest terms. Examine thoroughly your likes and dislikes. Think about the types of people that interest you most, which men you admire and respect, the books you read, the hobbies you pursue or would like to pursue, what you daydream about doing.

Sometimes the many demands put on us partially blind us to what we truly enjoy. The man who plays bridge every Friday night may secretly detest this form of recreation and would be much better satisfied building something with his hands. He continues to play bridge because he feels an obligation to be sociable.

The important thing is to examine yourself honestly to determine your true likes, Dr. Segal says. This quality of introspection is one which executives, and other men of action, often lack. But a person's basic interests are so much a part of his personality that they do not change as much as a surface examination would tend to indicate.

Take the high school student who was extremely interested in dramatics. He became a lawyer. At the beginning of his practice, he worked in the justice department of a state government. Buried in the detail of complicated government work, he became dissatisfied. He blamed his unhappiness on law. However, he switched from government work to a small private office where he handled many cases in court. Here, he began to enjoy his work.

Now he was exercising one of his basic interests: performing for an audience. Pleading a case before the court gave him great satisfaction.

Misreading one's interests is a common error. That's why a person needs to look below what appears on the surface.

A man, who in college was a member of the track team, president of the club for athletes, and president of his fraternity, decided on personnel work because of his apparent interest in people and his ability to get along with them.

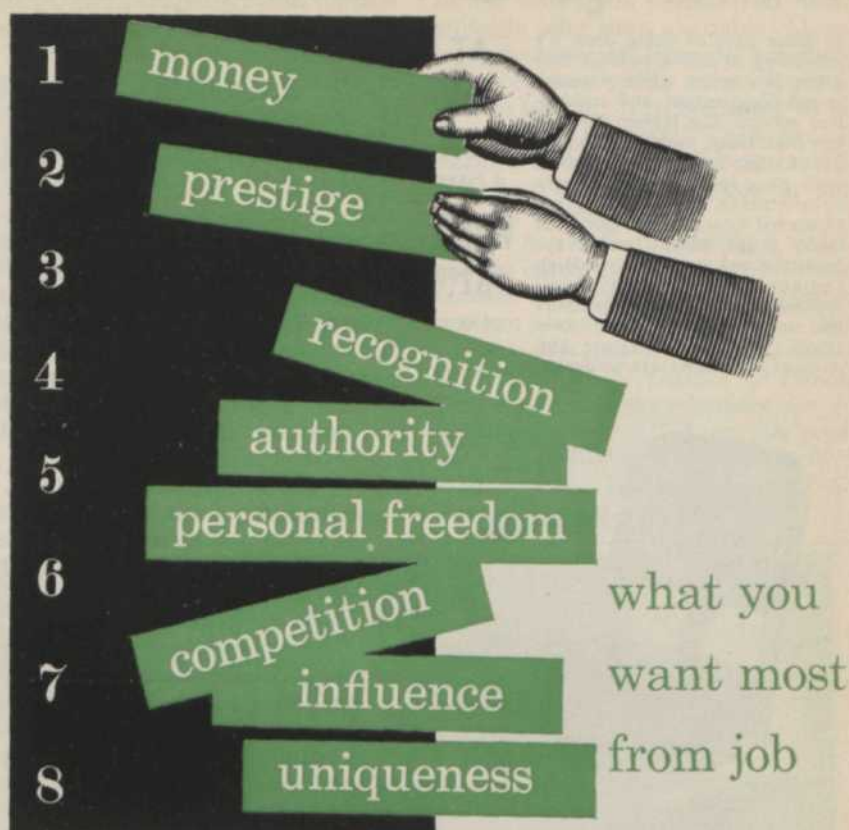
He soon became unhappy. His interests, he discovered, were not in people so much as in competition. He realized that his efforts in trying for office and for sports sprouted, not from a strong liking for people, but out of a sense of competition. With this realization, the young man switched to sales. He is currently doing well and is happy in his work.

The lawyer, it should be noted, did not have to chuck years of training to fit himself into a job that satisfied his interests; instead, it was simply a matter of making modifications in his profession.

The personnel man had little difficulty switching



# Determine



to sales since his background was that of a generalist anyway.

Vocational guidance tests can show a great deal about one's interests. Taking the tests helps clarify a person's ideas of his own interests. If, on the test, you are asked to choose between, say, reading a serious book, attending a baseball game or going to a lively party, your thinking on what you do and do not like begins to crystallize.

No one of these questions will show your interests. In one of the most popular tests, Strong's Interest Inventory, nearly 400 questions are asked. They range from which of three books you would most like to read and which you would least like to read, to whether you like people with gold teeth. Though some of these questions seem trivial, a pattern emerges when the complete battery is taken.

E. R. Ritzman, director of testing and counseling at The George Washington University in Washington, emphasizes that the tests are simply guidelines. "Many people expect the counselor to solve all of their problems for them. Instead, it is the counselor's job to guide, question, stimulate thinking, and in general to help a person analyze his own problem. The ultimate aim of counseling is to aid the person in achieving self-guidance. Much of the work has to be done by the person himself.

"Career planning requires a lot of soul-searching," Mr. Ritzman says. "Many persons map out successful and satisfying work for themselves without testing, but they have been honest with themselves and have done a great deal of thinking about it."

Some few individuals seem to have strong interests right from the beginning, and no confusion or doubt seems ever to enter their thinking. These people, how-

ever, tend to be in the minority. Most of us worry a good bit about our careers. Such worry is perfectly natural. It's part of the human characteristic of wondering about what "might have been."

A top executive recently remarked that he often wondered where he would be now if he had taken that job offered him back home. There was a bit of nostalgia in his voice as he talked about it. Had he taken it, he would today probably be wondering where he would be if he had gone to the city.

A nationally recognized psychologist told NATION'S BUSINESS he was at one time undecided about whether to go into psychology or journalism. Appraising his decision, he said: "It wouldn't have made a great deal of difference. I'm getting the same satisfactions now that I would have received in journalism."

Working with people, understanding them and studying them, was his chief interest. This interest could have been satisfied in journalism as well as in psychology.

This points up the close relationship between different kinds of work. Many careers or professions are flexible enough so one can lean toward his particular interests within the framework of the present job.

Extremely high interests can pull up what is only mediocre ability to a point of satisfactory or even excellent performance. Interest alone, however, cannot do the job. But a person should seek work that leads toward what he considers his primary interests, whether they be scientific, administrative or political, or what have you.

## Abilities

A successful research psychologist confesses he would like to have been a concert musician. In earlier



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## GUIDES TO CAREER PLANNING *continued*

### Idealism in seeking vocations must be tempered with everyday practicalities

days, he practiced diligently on the violin. Later he switched to the viola because the conductor of the city's symphony orchestra told him he would stand a better chance of getting a chair in the orchestra with that instrument. After months of practice, he performed with the orchestra.

Afterward, the conductor, who had watched his efforts to become a musician, said of him, "This boy has no talent, but plenty of courage." The young man decided to study psychology.

This anecdote points up two things about career planning. First, you learn most about your abilities through trial-and-error; second, successful career planning is a mixture of idealism and realism.

If you simply do not have the ability to perform the job that gives you the highest satisfaction, then you have to take the next best. It also points up how a strong interest can drive you to great efforts. Perhaps the highest interest can be pursued avocationally with a great degree of satisfaction. The research psychologist, for instance, has an extensive collection of classical recordings and an excellent hi-fi set.

Generally speaking, the more specialized the profession, the greater the need for a specific ability. The greatest asset in most careers is a native intelligence. Certain professions require a physical dexterity not needed in others.

The ability to perform a given task over a period of time involves so many complexities that it is difficult to catalog them. Just what are the qualities that make for executive ability? They are numerous and many times nebulous. Only experience can tell for certain.

Career planning can seldom be mapped out in college and followed unchangingly through life. It remains, for the most part, a matter of shifting, giving and taking, altering course, trying to fit abilities in with interests.

#### Personality traits

A person's interests are closely related to his personality traits. Personality traits are probably the most difficult for most people to recognize in themselves.

A personality trait can be described loosely as a person's innermost biases, prejudices, aversions and affections.

One highly successful research physicist told an interviewer in a New York executive placement organization that he wanted to get completely out of research and become an administrator. He would be chucking many years of experience and, in effect, starting a new career at middle age. The physicist had been given a laboratory of his own in a giant corporation and could come and go virtually as he pleased.

Through questioning, the interviewer learned that the physicist, who had only been in his job a short time, previously had been with a college research organization. There, too, he had a private laboratory and a maximum of freedom.

In his old job, however, the physicist had to make reports, give speeches, and was often placed in the limelight.

When this was pointed out, the man realized that what he wanted was not a new career but a higher degree of personal recognition in his present one. That was part of his personality.

He enjoyed working alone, but he also wanted a chance to tell others what he was doing.

Once he recognized his problem, he set about changing the cause. To his surprise, he found the company was eager to have him take a more active part in reporting on his activities.

Much of his isolation came from the fact that the officials thought that, as a scientist, he wanted privacy. Some scientists might want it. This one did not.

When assessing your personality traits, ask yourself how much prestige is necessary to make you happy. How much recognition? How much authority? How much personal freedom? How much money? Can you stand conflict? Do you like to try to influence others' thinking? Do you feel you must do something unusual? Do you feel extremely uncomfortable in a large city or does the excitement of bustling crowds stimulate you?

One person will place a desire for



prestige ahead of desire for authority; another will place individual freedom and avoidance of conflict above money.

An honest appraisal of one's personality is difficult. This is not because we are knowingly dishonest with ourselves, but because we unconsciously try to ignore some of the aspects of our make-up that we feel are undesirable.

The well adjusted person, however, is able to take a good look at himself and admit such things as his desire for power, prestige or authority.

#### **Everyday practicalities**

An acceptance of the realities of life serves to pull together interest,

ability, and personality and helps a person to settle on a career.

In their simplest form, the everyday practicalities may boil down to elementary facts.

If you have never had formal scientific education, it would probably be impractical to decide at mid-career that you would be happiest as a scientist.

A person with a well paying job may have a strong teaching interest and ability. It may suit his personality traits. But he may feel that maintaining his present home and providing for his wife and children as he wants to, make teaching impractical.

Many persons drift into their particular occupations. Some were

forced into them because no other suitable jobs were available. Many in mid-career or later do not have the necessary skills to go further. Others realize, "I'm not going to be president of the firm." These are all examples of the everyday practicalities that each of us faces in one form or another.

The secret for mapping a satisfactory career is to consider all these factors and balance them against realism and idealism. END

**REPRINTS** of "Guides to Career Planning" may be obtained for 10 cents a copy or \$7.00 per 100 post-paid from *Nation's Business*, 1615 H St., N.W., Washington 6, D. C. Please enclose remittance.

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## Executive Trends

### Don't let the big ones get away

The loss of high-talent executives through job change is a matter of growing concern. Many companies report an increasing rate of turnover among their highly trained professionals.

The defection of men in such specialties as engineering, research and electronic data processing is made more disturbing by the fact that industry has a keen current need for such specialists to meet the challenges of corporate growth, product innovation, office mechanization and general technological advance.

Dr. Nathaniel Stewart, consultant, contributor to *NATION'S BUSINESS* and lecturer on management subjects for the American Management Association, says future months will see many organizations moving to arrest the loss of their high-talent executives. In some instances, he says, the loss is due, not so much to the greater financial allure of other jobs, but to the lack of a suitable atmosphere for creativity in the jobs which the highly skilled men now hold.

► There's no simple, foolproof formula for holding creative professionals, but it would pay to check your company's creativity atmosphere, since this is especially important to the new technical elite of industry. Have you tended to drop your research and development personnel into a lonely side pocket, or have you closely meshed R & D with the mainline activities and objectives of your company? Do you encourage new ideas? Do you welcome or discourage suggestions for changes in procedure? How much internal red tape do you have? Are your professionals permitted and encouraged to increase their professional qualifications on and off the job? Do you promote from the technical ranks? These factors, and others, make up the atmosphere essential to holding brainpower.

### What management wants to know

Personnel problems head the list of subjects of current interest to some 1,100 companies surveyed by the American Management Association.

Here's the way this index-of-interest shapes up:

Personnel (33 per cent of one month's requests for information at AMA were in this category); general management (21 per cent); finance (12 per cent); marketing (13 per cent); manufacturing (six per cent); office management (six per cent); research and development (five per cent); international management (two per cent); packaging (one per cent); insurance (one per cent).

AMA believes its interest index is a good general barometer of



current management concern, and to some degree builds its own program around the subjects of indicated interest to business.

► Here are some of the subjects within the personnel classification: employment processes and manpower planning, training and development, wage and salary administration, fringe benefits, and labor relations. In the general management category, interest was expressed in a number of subjects including management theory or techniques; organization principles, charts, job descriptions; development, selection, and compensation of executives, information about consultants, and managerial economics.

### **How to increase your selling power**

The number one problem of sales management, according to a National Sales Executive poll of its 30,000 members, is the effective motivation of salesmen.

In an NSE competition, W. L. Burton of St. Louis (vice president for sales of Maritz Sales Builders) enumerated the basic requirements for sound motivation as a challenging compensation plan, sales territories with adequate potential for future growth, opportunities for advancement, good products adequately advertised, prices in line competitively with quality offered, good service, sound credit policies, competent pre-training and field training, and fair marketing policies.

But these are not all that's needed, Mr. Burton says. Equally vital are such motivational factors as the desire for personal gain, desire for recognition and honor, the avoidance of monotony and boredom, and the desire to be needed.

► Smart sales management uses all the motives that can stimulate salesmen to better effort. Mr. Burton believes that motivation requires annual planning. Whether you run two or a half dozen short motivational programs a year, he says, they should, in order to provide continuous motivation, be tied together with a highly promotable annual recognition program for outstanding performers.

### **What ever became of the will to work?**

Have Americans really lost the will to work?

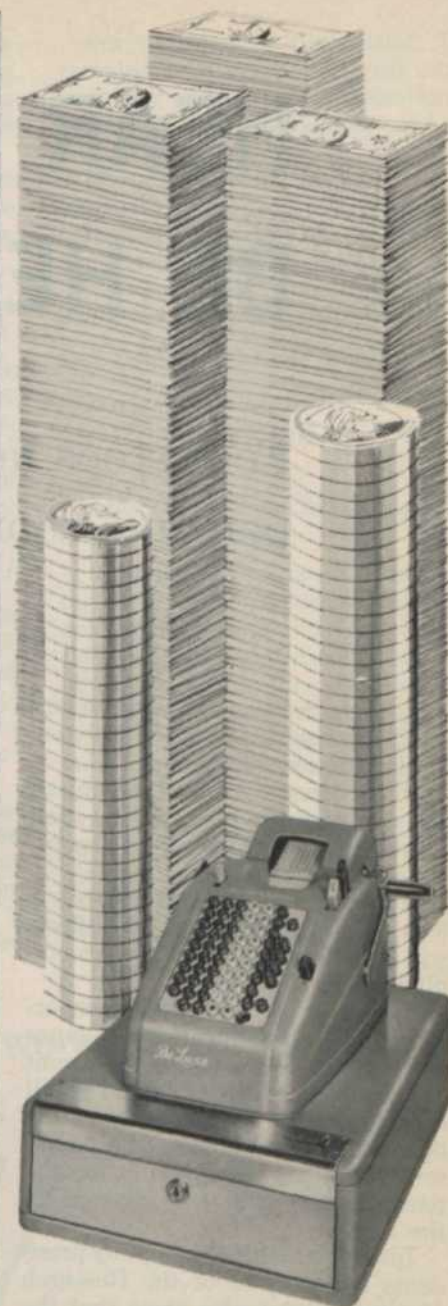
Every businessman undoubtedly can supply his own examples of lackadaisical performance, faulty workmanship, dilatory service and the attitude of "I'm only doing it for the money." But are these the rule or the exception?

A group of Midwestern construction industry executives chosen at random—all of them veterans in their field—say there has been a definite decline in recent years in the average worker's enthusiasm for work and pride of performance.

These men blame the apathy on the fact that many of today's workers are men who didn't enter the work force until after World War II—men who have never known hard times and fierce competition for employment.

Some of them trace the decline from the advent of strong unionism. All agree that the lack of initiative is a serious bar to increased output per worker and a factor that pushes up the cost of work put in place.

► One man describes the prevalent attitude of getting the biggest possible paycheck with the least amount of work as "standard." Criticism is not directed solely at rank and file workers, however. Employers who will settle for less than quality performance, whether in materials used or workmanship supplied, also must bear some responsibility for the decline.



## **It adds up**

Day-in, day-out savings with America's lowest-priced, full feature Cash Register

Year 'round, trouble-free use plus all the speed, ease and convenience of higher priced machines make the Smith-Corona low cost cash register a money-saving must for you. Color-styled for beauty, the Smith-Corona cash register records every transaction on tape. It has a coin bank for tax money plus many other "extras." Available with a special keyboard for your specific business needs, Smith-Corona cash registers are priced from a low, low

**\$179<sup>50</sup>\***

\*Manufacturer's list price. Subject to change.  
Model shown \$219.50.

## **Smith-Corona**



# HEAR AND BE HEARD—*effectively*

Four steps help you build a strong personal communications network

THE KEY to every businessman's job effectiveness is his own communications network.

If the system is well organized and maintained, he can hear and make himself heard within the organization.

If the communications network is less than satisfactory, his efforts will be hampered and his accomplishments minimized.

Executives understand the importance of communications. Glance through the agenda of some recent management conferences and you'll quickly see the amount of attention devoted to the subject. It's an interest that has persisted during the past decade, and will increase in the next.

Interviews with 43 company presidents by analysts of the Research Institute of America show that the problem of information—the need both to provide it and to get more of it—ranked first in a list of 10 major areas of concern.

Technological advances are creating pressures for more and better communications, faster. Information is becoming more valuable and more perishable. Executives must pass it along more efficiently to satisfy the new demands.

However, despite the strong focus on communications, a helpful, even critical, distinction is often overlooked. When we deal with the subject of communications in business, we're including two related but distinct elements:

► **Company communications.** This covers everything from company communications policy to the formal and informal means by which it is implemented.

► **Your personal communications.**

This is almost entirely within your control and, in a sense, is independent of the company-wide system. In other words, the ABC Company can be said to have "good communications" although Vice President John R. Joyce, because of a failure to organize his personal communications, may be operating under serious personal handicaps.

The reverse situation pertains in the BCD Company, which has poor communications. Yet here Vice President R. G. Jones has created an effective system of communications that gives him decided advantages in his work.

In developing your own communications system it is useful to look at the performance of two hypothetical executives:

**Executive A:** He is an excessive user of the telephone, the written memo and the dictating machine. Let a thought pop into his head and the red light goes on while he rattles off a directive (with 12 carbons). In conferences he invariably speaks up, while peers with a lesser need to communicate, though perhaps with more to say, perform more moderately.

Of course, this is an exaggerated picture of the overcommunicating executive. But the point is clear. Avoid the example of the manager who is so sold on the subject of communications that he overbuilds and overloads his personal network. It's a fact of communications life that one can't make up by quantity of communication what is lacking in quality.

**Executive B:** He's noted for stream-

lined reports and his keen awareness of the time pressure on fellow executives. He cancels conferences that, as a result of developments, are no longer necessary. He goes through lengthy reports in a few minutes and emerges with a clear and comprehensive knowledge of their contents. His letters and other written communications are masterworks of the apt word and the pithy phrase.

Executive B, like Executive A, is a caricature. Few of us are likely to duplicate the performance of such a paragon.

The objectives of your personal communications system must be realistic. The overmotivated executive who tries too hard falls into the trap of communications excess. The perfect communicator never exists in real life.

A reasonable personal communications goal might be worded, "To create and maintain a network capable of carrying on contacts both incoming and outgoing in a manner that lessens misunderstanding, information gaps or a flooding of channels." Within this framework, you have all the latitude you need for full development of your communication skills.

Four steps can help you stay on top of your communications needs:

1. Consider the obstacles.
2. Review your present situation.
3. Assess your needs.
4. Strengthen the network.

## Consider obstacles

Your communications technique must overcome some key difficulties: . . . rapid obsolescence. As your



job responsibilities grow and change, communication needs likewise grow and change. A system that was adequate last year might be outdated today.

... *limited aims.* There's a new concept slowly gaining strength among management experts. This view regards communications as more than an action-response chain. The new, more dynamic idea sees your personal communications as playing an important part in your professional development. In simplest form, this approach suggests that communications can do a frontier-cracking job for you.

For example, a sales executive whose job responsibilities have a strong potential in the marketing area can lay the groundwork for his development by building into his personal network a communications link that will give him contacts in the marketing field. This may mean something as obvious as arranging for marketing publications to be routed through his office. In another case, it means arranging for the company's marketing reports to reach his desk, and so on.

... *poor impact.* The message gets through, but it scarcely registers. Or, in some cases, there's a lopsided emphasis. Some executives

can't be accused of overcommunicating or undercommunicating. Nevertheless, the quality of the message cancels out any chance for its being effective.

There is no ideal formula for overcoming handicaps such as these. The needs of each executive are unique.

## Review your situation

Too often executives start making changes without a clear realization of their present situation. For some executives, their present communications setup, by any practical measure, will prove satisfactory. Examine the current status of your communications network to see if you're in this group.

Impressions in this matter can be misleading. To give yourself a solid basis for judgment, a simple tabulation can be undertaken (perhaps by your secretary) that can give you an accurate picture of where you stand.

Here's how to proceed: Pick the communications area that is most meaningful for you. Avoid wasting time and effort in a detailed examination of the entire network if consideration of a single major area can provide what you want.

For purposes of illustration, the example used here deals with intra-company written communication—letters, interoffice memos, reports, and so on.

If your secretary keeps a chronological file of all your outgoing correspondence, tell her to haul out about two weeks of it. Then have her tabulate the correspondence, using the suggested form below:

### Communications Analyzer

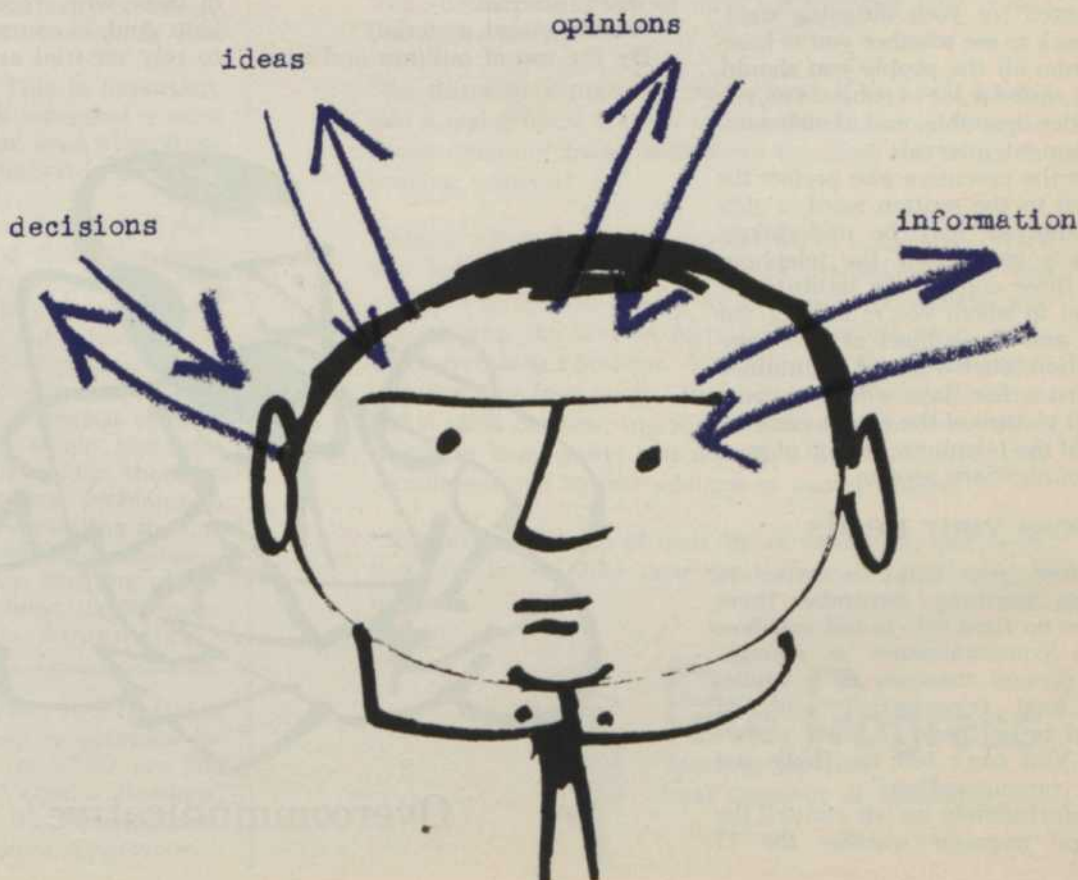
To whom	Date sent	Subject
Mr. Hanson	August 1	J. C. Lee, complaint

After the columns have been filled in, start examining—

1. *Distribution*—Note the names in the "To whom" column. Are there any obvious omissions? Of course, not everyone you communicate with must appear in this column. The people you contact most frequently might work in adjoining offices and your communications are all face-to-face, or by telephone. But aside from explanations of this kind, have you uncovered any communications blanks—people who should be receiving reports, comments, suggestions, queries from you but aren't?

2. *Time gaps*—The "Date sent"

Good communication maintains two-way flow of:





## HEAR AND BE HEARD

*continued*

column is designed to reveal one weakness—communications lag. In many cases, executives bunch their outgoing correspondence. Some men set one day aside to take care of a week's accumulation. This practice may be perfectly all right. However, if in your case two or more days go by without outgoing messages, ask yourself whether this delay is handicapping someone at the receiving end.

3. *Subject analysis*—Now run your eye down the list of subjects covered. Look for—

... *repetition*. Is a single subject being batted back and forth because of lack of clarity, indecisiveness, or misunderstanding either at your end or the other?

... *one-note treatment*. One executive who made this analysis was startled to find that half his outgoing communications were suggestions to fellow executives. Not that these suggestions were inappropriate, but it gave the executive pause to realize there was, for example, not a single request for information in his "Subject" column.

A similar tabulation of incoming correspondence may be made either by you or by a secretary.

Your analysis of this tabulation may follow lines similar to those suggested for your outgoing mail:

Check to see whether you're hearing from all the people you should, on as varied a set of subjects as you consider desirable, and at sufficiently frequent intervals.

For the executive who prefers the spoken to the written word, a similar analysis may be undertaken. Place a pad beside the telephone with three columns to indicate the person to whom you're talking, the date, and the subject of your conversation. Such a record maintained for just a few days will give you a useful picture of the extent and content of the telephone branch of your communications system.

## Assess your needs

Before you make a move to change anything, remember there can be no rigid rule to tell you how much communication is enough. The general manager of a wholesale food organization said, "I talked to my boss 17 times yesterday. You can't tell me that's not good communication."

Unfortunately no one can tell the general manager whether the 17

conversations with the company president were too many, too little or just about right. This is an area in which you are your own best expert.

Deciding just what your personal communications may require in the way of updating depends on your needs with respect to:

### 1. *Eliminating excess.*

Are you communicating with the same person too often?

Are you communicating about the same subject too often?

Are you communicating with an individual who has no real interest in the matter at hand (in other words, a victim of the "carbon to" disease)?

### 2. *Filling in the gaps.*

Are you failing to communicate with people about pertinent subjects? (These may be subordinates, or executives at your level or above.)

If you find you have been handicapped by lack of information, can you set up a periodic report that will bring you the facts when and as needed?

Do the responsibilities of your job suggest a need for contacts with people or departments that your communications system has failed to include?

### 3. *Strengthening impact.*

Can you make your communications more effective by being more formal? Informal?

Adding visual material?

By the use of outlines and sum-

maries, cut down on the florid prose?

Starting a lengthy report with a brief summary?

Easier reading with a page format using wide margins, double spacing, headings and subheads?

## Strengthen network

You're well on your way once you recognize just how individual an executive's communications system should be.

Despite the variations of personal requirements, however, there are essential elements all systems must include. Consider these points that can guide you to a satisfactory result:

### 1. *Build your communications needs on the basis of:*

Information you require or that you must relay.

Opinions to be expressed or gathered from others.

Ideas to pass along or to seek.

Decisions in which you participate, or which you may require from others.

2. *Satisfy your communications in terms of a flexibility that combines both formal and informal contacts, and embraces all possible media—the letter, interoffice memos, telephone contacts, and face-to-face meetings.*

3. *Give due regard to the needs of those with whom you communicate. And, of course, you don't have to rely on trial and error. Discuss*



Overcommunicative?



mutual communication needs with your fellow executives.

4. *Select the best medium* for the individual case. One phone call may substitute for a five-page report. A 100-page report may be the only satisfactory means for conveying a voluminous and detailed set of data.

5. *Analyze every failure* in your personal communications network and make the adjustments that will prevent a recurrence. A request for clarification of a letter means you didn't get your message across. Lack of attention to a communication you've sent may mean a poor presentation, or that the wrong people are getting it.

6. *Make sure the quality* of your communications is calculated to avoid misunderstanding by being clear; pitched to the capabilities of your audience; sufficiently comprehensive; possessed of a built-in feedback—a request for a reply by a given date, or an action with a stated deadline.

Finally, don't overlook the power you can add to your sending and receiving. That power resides in your subordinates.

For example, your secretary or assistant can be a primary instrument for accurate and visually appealing sending, whether by letter, phone, or personal visit. And your assistant also can help by the sense of importance or priority of incoming material you develop in him or her.

The phrase, "This is important, Mr. Smith," may represent a most desirable reminder, even when it occurs as an interruption in an avowedly vital activity.

Many executives report that they have strengthened their own communications skills by taking a personal hand in the communications training of their subordinates. By reinforcing the communications-mindedness of your people, you assure a better performance of your department as a whole and also make it more likely for them to bring communications problems to you instead of perpetrating the one irretrievable loss in the communications area, namely, learning to live with communications inefficiencies and inadequacies.—AUREN URIS

**REPRINTS** of "Hear And Be Heard—Effectively" may be obtained for 10 cents a copy or \$7.00 per 100 postpaid from *Nation's Business*, 1615 H Street N. W., Washington 6, D. C. Please enclose remittance.



## What Forest?

"If you are so engrossed in your business or profession that you can't 'see the forest for the trees,' then it's time to enlarge your point of view. Your business future may well depend on it.

"To get the proper perspective, look upon your business not as an isolated, individual effort but as an integral part of the community, a brick in the economic structure of our country. You should periodically 'climb a tall tree' and look around you at the forest.

"See that wisp of smoke on the horizon? It may well develop into a raging forest fire that will eventually destroy your particular clump of trees. Well worth the climb just to get the warning, wasn't it?

"Such a 'tall tree' is your local Chamber of Commerce. You'll find there a group of business and professional men and women who are also looking for the broader view-point, who are scanning the horizon for signs of trouble which might affect *everybody's* business. You will profit from their experience and they from yours. Together you will study the trends which affect business; you will crystallize the problems which face your community; you will work as an effective, well-coordinated unit to find solutions to these problems.

"So tend your 'clump of trees' by all means, but don't overlook the forest. Join your local Chamber of Commerce today."



## Pete Progress

Speaking for your  
local Chamber of Commerce



# BUSINESS CAN ASSURE BETTER COLLEGES

Get full value from contributions  
to education by following five steps

INCREASING NUMBERS of businessmen, aware of the growing need for college-trained personnel, are showing a new interest in the financial problems of the 1,000 or so non-tax-supported colleges and universities in this country.

Although business gave approximately \$158 million to higher education last year, the job is far from complete. The prospect of higher costs and increasing enrollment is already bringing suggestions that federal assistance, with the possibility of accompanying intervention in high-level education, is the only answer.

Voluntary support would be a better answer, but firms which have not yet contributed to the colleges—and even many that have—hesitate to give because of uncertainty as to what schools or projects they would support.

A simple, five-step program will remove this uncertainty. Companies which have no plans for college giving will find these steps helpful in formulating policy in this field. Companies that have been giving can use them in reviewing what they have done so far. Small companies can use them as well as large. In fact, although large firms have given millions of dollars for scholarships, basic research, faculty salaries and other purposes, some estimates show that smaller companies, so far, have given a larger percentage of net income for education than have the larger.

*Step 1.* Companies should not make decisions on gifts to privately supported colleges solely on the basis of their general knowledge of those institutions and their programs. The diversity and complexity of American higher education requires the special attention of someone who is encouraged to learn all he can about the subject. Designate a company officer to become as well acquainted as possible with the programs of privately supported colleges and universities.

Companies that have done this report effective results. Within a few months this officer learns a great deal about various colleges and universities. Moreover, he becomes acquainted with reliable sources of

information as well as channels through which to make inquiries.

In a relatively short time, he develops a wide knowledge of education-business relations. If the company should decide to appoint a contributions committee to handle the requests of privately supported colleges, this man is the logical chairman. Several companies have appointed a full-time educational coordinator who deals not only with corporate-support problems but also represents the company in such areas as recruiting, college conferences for executives and other employees, university research contracts and so on.

*Step 2.* Establish a committee to conduct a continuing review of company policy as it relates to institutions of higher learning.

A number of significant corporate-giving plans have been formulated by committees of this type. A large insurance company first ventured into financial support of colleges as the result of such a committee's report.

The committee on higher education, working in conjunction with the staff member who has been appointed to study business-education relations, can serve as the company's eyes and ears on the educational scene.

*Step 3.* Urge company officers to contact university officials and to visit institutions of higher education.

For the most part, contacts between businessmen and university leaders have been initiated by the latter. This is not to say that businessmen have been unwilling or reluctant to meet with their educational counterparts. However, it would encourage the heads of colleges and universities to see a greater part of the initiative come from business.

Colleges and universities would welcome the visits of businessmen to their campuses, laboratories, libraries, classrooms, and offices. The face-to-face meetings that take place during such visits often produce ideas that are mutually beneficial. For personnel, re-



cruiting, and training directors a visit to a college is probably not a novelty. But many company managers have not been inside the buildings of a college since their own graduations—or if they have returned several times to their own alma maters, have not seen other schools. It would be worth while if each officer of a company arranged to visit just one college or university a year.

*Step 4.* Encourage company executives to participate in university affairs.

Most colleges have advisory committees for programs in which they specialize. Schools of business, for example, may have advisory committees for their marketing, accounting, banking, and real estate programs. Membership on such committees brings one into contact with the professors teaching in the field, students majoring in it, and other noneducators who are interested in it. Here is an area where a businessman may make a real contribution to a college or university through participation. Moreover, the company benefits from the arrangement through detailed knowledge of particular programs. One of the most successful geological research programs in a univer-

sity grew out of the participation of a number of businessmen on a geology department advisory board. These men were in large measure responsible for the program's financial support which came from their own and other companies. They advocated such support on the basis of firsthand knowledge and experience.

One of the more obvious places a business leader can lend a strong hand is in connection with actual fund-raising campaigns. Many businessmen have done distinguished service in this area. Some have directly solicited funds; others have helped to open important doors for higher education's representatives.

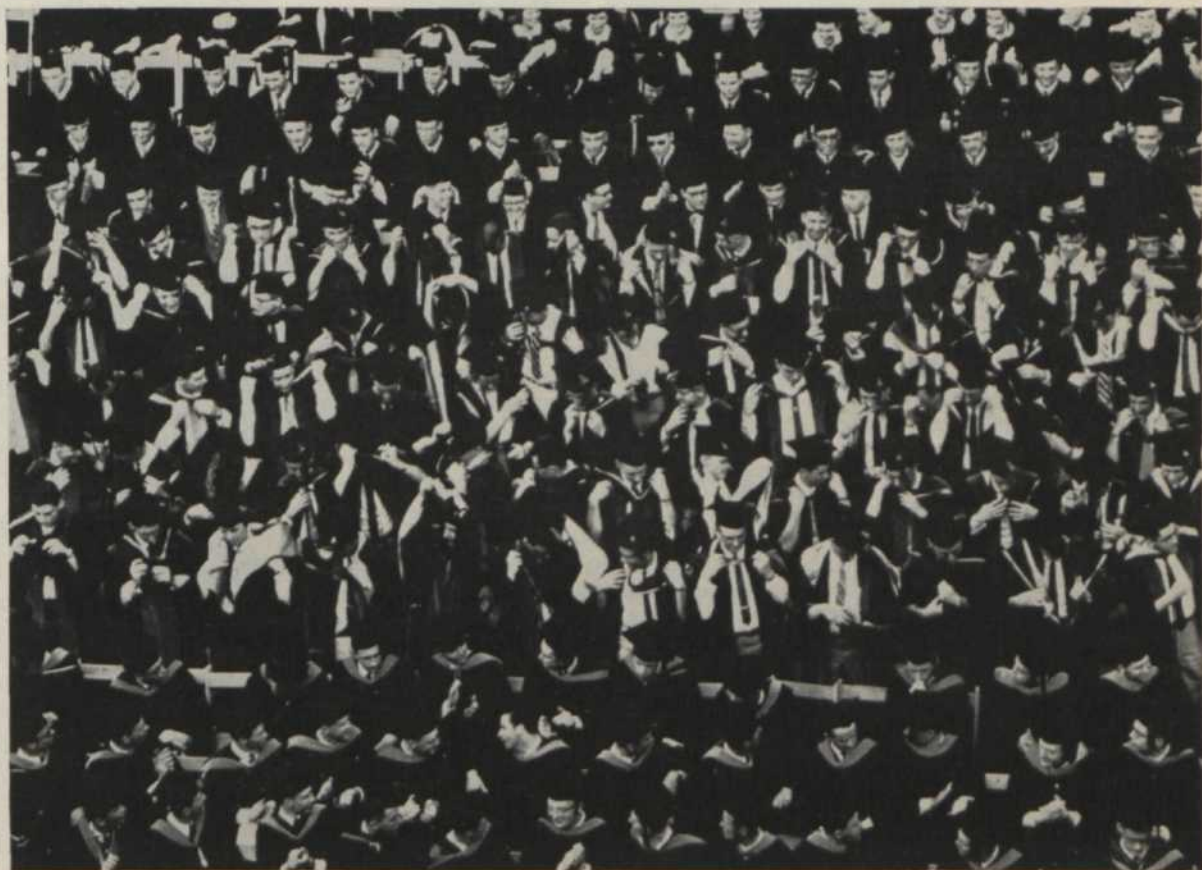
*Step 5.* In formulating the program for support of higher education, consider these areas:

**a.** Cost-of-education grants where scholarship funds are given.

Among the companies that have already worked out programs of financial assistance to privately supported colleges, it is understandable that support for scholarships ranks high in popularity. Certainly it is worth while to help a potential leader in society who has every qualification for college study but

---

Informed business support can increase quality  
as well as quantity of future college graduates





## Advertisers in this issue

August, 1959

	Page
Air Express, Division of Railway Express Agency.....	11
Adams & Keyes, Inc., New York	
American Telephone & Telegraph Company (Class.) .....	75
Cunningham & Walsh, Inc., New York	
American Telephone & Telegraph Company (Inf.) .....	1
N. W. Ayer & Son, Inc., Philadelphia	
American Telephone & Telegraph Company (LL) .....	87
N. W. Ayer & Son, Inc., Philadelphia	
American Trucking Association.....	4
Allman Company, Inc., Detroit	
Association of American Railroads.....	22
Benton & Bowles, Inc., New York	
Baltimore & Ohio Railroad.....	56
Richard A. Foley Advertising Agency, Inc., Philadelphia	
Bay West Paper Company.....	78
Klau-Van Pietersom-Dunlap, Inc., Milwaukee	
Beseler, Charles, Company.....	78
Dale & Finkels, Inc., New York	
Bruning, Charles, Company, Inc.....	63
H. W. Kastor & Sons Advertising Company, Inc., Chicago	
Burroughs Corporation.....	65
Campbell-Ewald Company, Detroit	
Butler Manufacturing Company.....	5
Aubrey, Finlay, Marley & Hodgson, Inc., Chicago	
Chamber of Commerce of the U.S. ....	76, 77, 83
Direct	
Chesapeake & Ohio Railway Company.....	6
Robert Conahay, Inc., New York	
Commercial Credit Company.....	12
VanSant, Dugdale & Company, Inc., Baltimore	
Dictaphone Corporation.....	14
Young & Rubicam, Inc., New York	
Dodge, F. W., Corporation.....	59
G. M. Basford Company, New York	
Dow Jones & Company, Inc.....	53
Batten, Barton, Durstine & Osborne, Inc., New York	
Du Pont, E. I., De Nemours & Company (Inc.) .....	26
Batten, Barton, Durstine & Osborne, Inc., New York	
Ethiopian Airlines, Inc.....	10
Adams & Keyes, Inc., New York	
Executone, Inc.....	49
The Joseph Katz Company of New York	
Ford Motor Company (Truck Div.).....	15
J. Walter Thompson Company, Detroit	
Friden, Inc.....	13
J. Walter Thompson Company, San Francisco	
Harter Corporation.....	74
The Jaqua Company, Grand Rapids, Mich.	
Hertz System, Inc.....	41
Needham, Louis and Brorby, Inc., Chicago	
Insurance Company of North America.....	4th cover
N. W. Ayer & Son, Inc., Philadelphia	
International Harvester Company, Inc., Motor Truck Div.....	3rd cover
Young & Rubicam, Inc., Chicago	
Listo Pencil Corporation.....	74
Cunningham & Walsh, Inc., San Francisco	
Mosler Safe Company.....	18
Cunningham & Walsh, Inc., New York	
Motorola Communications & Electronics Inc.....	25
Kolb & Abraham, Inc., Chicago	
Murray Hill House.....	74
Diener & Dorskind, Inc., New York	
Pacific Northern Airlines, Inc.....	53
Botsford, Constantine & Gardner Advertising, Seattle	
Pitney-Bowes, Inc.....	43
L. E. McGivena & Company, Inc., New York	
Portland Cement Association.....	17
J. Walter Thompson Company, Chicago	
Smith-Corona Division of Smith-Corona Marchant, Inc.....	21, 79
Cunningham & Walsh, Inc., New York	
Surface Combustion Corporation.....	64
Beeson-Reichert, Inc., Toledo	
Tropical Paint Company.....	10
Fred M. Randall Company, Detroit	
Underwood Corporation.....	2nd cover
William Esty Company, Inc., New York	
Union Pacific Railroad.....	16
The Caples Company, Chicago	
Wagner Electric Corporation.....	64
Arthur R. Mogge, Inc., St. Louis	

## BETTER COLLEGES

continued

one—the ability to pay the tuition fees.

But as splendid as the objective is, grants for scholarships may create additional problems for the college. In privately supported institutions tuition pays only part of the cost of the student's education.

Therefore, if a company should decide to make a gift in the form of scholarships, it should consider a pattern already established by several companies. That is, supplementing the scholarship grant with an equal amount to the college.

**b** Named professorships for limited terms.

Many companies are considering a relatively new method of helping privately supported colleges and universities in the vital area of faculty salaries—the limited-term named professorship. Named professorships are usually assigned to senior faculty members who are distinguished in their fields. To set up a permanently endowed named professorship which would yield, let us say, \$12,000 a year to pay a professor's salary, would require an endowment gift of \$300,000. As desirable as such a gift may be from a public relations view, it is simply too large a single item for most company budgets.

Recognizing the problem, several colleges and business firms have recently worked out the limited-term named professorship. Under this arrangement, for example, the company pledges a gift of \$12,000 a year for a specified number of years (usually five or more) which will cover the professor's salary. The college agrees to list the professorship in its curriculum announcements as the XYZ Professorship for the term of years the XYZ Corporation provides the teacher's yearly salary.

Several companies have contributed as much as \$20,000 a year on this basis. The gift results not only in good will for the corporate donor, but also provides a major incentive for a good teacher and financial support to the college for a worthwhile purpose.

**c** Gifts toward new buildings and other physical facilities.

Recently a well known electronics company announced its intention to give \$200,000 to a university for a vital research program. The university had well qualified men on its faculty to do the work, but it could not accept the grant because its

laboratory facilities were wholly inadequate.

Though this example is not typical of the everyday handicaps posed by inadequate facilities, it does point up the interdependence of buildings and programs.

Yet the policy statements of some companies include the provision, "No gifts will be made to colleges and universities for bricks and mortar."

The justification for such a provision appears to rest on a distinction the company draws between educational programs on the one hand and "bricks and mortar" on the other. But it is not really possible to separate the two. The physical plant is part of the teaching and research programs that go on inside it.

Conservative estimates are that about \$3 billion a year for the next 10 years will be needed to provide an adequate plant for American higher education. Companies seeking projects warranting their support should check the physical needs of various colleges. A careful survey will surely reveal several places where even a relatively small gift would help to complete a building in which a significant educational program will be housed.

**d** Opportunities for teachers to do basic research.

A business firm recently made a gift to a college of engineering which sets a splendid example for other companies. Under the terms of the gift, the college permits selected teachers to devote one quarter of their time to basic research projects; the grant provides for necessary research equipment and for the salaries of additional teachers to take over the courses of those doing the research.

Because many college and university teachers are keenly interested in doing basic research, this kind of gift provides a major incentive for younger faculty members in particular.

Devereux C. Josephs, one of the nation's outstanding business leaders, recently pointed out that 90 per cent of the research done in corporate laboratories is developmental and applied. For basic research, therefore, industry depends greatly on colleges and universities. That is why corporate support for basic research is clearly a wise investment.

As businessmen give closer attention to higher education, new patterns and ideas of giving will continue to emerge.

—HOWARD R. DRESSNER



# Long Distance turns cold prospects into hot sales leads

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"Recently a 'cold' call to a Kansas City grain elevator sold a \$37,000 Aeroglide grain drier for us," reports James F. Kelly, president of Aeroglide Corp. of Raleigh, N. C.

"I picked my prospect carefully, did a little selling, and asked for the order. The call cost me \$4.50."

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## LONG DISTANCE RATES ARE LOW

*Here are some examples:*

Boston to New York . . . . .	75¢
Philadelphia to Richmond, Va. . . . .	80¢
Dallas to New Orleans . . . . .	\$1 <sup>25</sup> / <sub>100</sub>
Detroit to Miami . . . . .	\$1 <sup>80</sup> / <sub>100</sub>
Cleveland to San Francisco . . . . .	\$2 <sup>35</sup> / <sub>100</sub>

These are day rates, Station-to-Station, for the first three minutes. Add the 10% federal excise tax.

## BELL TELEPHONE SYSTEM

LONG DISTANCE PAYS OFF!

USE IT NOW...FOR ALL IT'S WORTH!





# LET'S ACT FOR THE MAJORITY

LIKE AN UNRULY CHILD, the labor issue refuses to be ignored. Having been told to go stand in a corner, it refused to submit to this banishment and is now back demanding attention. Adequate reform legislation is still possible this session.

The need for it is well proven.

The McClellan hearings convinced the public—and the public has apparently convinced the House—that only firm legislative action can restrain union abuses of power. Those same hearings have also shown the kind of restraints this legislation should impose.

In spite of the evidence before it, the Senate rode up to the labor issue sidesaddle. From this constrained position it was able to see only one aspect of a double problem. It dealt softly even with the problem in view, tempering prohibition with largesse. The result was a bill which would inconvenience racketeers in their efforts to defraud the union membership. This purpose was commendable. Union members often need such protection.

But the Senate bill completely ignored the fact that the public often needs protection from racketeers, too.

The U. S. Chamber of Commerce and others pointed out this omission. They refused to support a measure that did only half its job—and that half-heartedly.

This refusal to settle for token legislation won the Chamber and its friends a resounding salvo of whole-hearted damnation.

Those willing to settle for a weak bill joined those who wanted no bill at all to chant:

"Businessmen are blocking labor reform."

This shunting of the blame to business provided a temporary excuse for doing nothing. For a while the outlook was that millions of Americans would have to continue to pay tribute to union gangsters in the form of higher prices and inconvenience.

Now the public can hope for a better fate. House consideration of a rewritten labor bill

gives hope that the public, as well as union members, may get the protection it requires.

Union members may win assurance that their money, their persons and their jobs are in the custody of honest men of their own choice.

The public may go about its business assured that the union racketeers' favorite weapons—the secondary boycott and organizational picketing—have been forever outlawed.

Both union members and the public will benefit further if Congress will give state agencies and courts authority to handle labor disputes under state law, provided the state laws are not contrary to federal law.

Time and money will be saved if employers are required to report only those matters which would reasonably lead to corruption, such as bribery of employees or their representatives.

Congress can also avoid compromise with union abuses and monopoly power by refusing to give the closed shop to the building trades.

These actions will not be politically easy for many of the congressmen who will have to take them if the country is to have sound union reform.

No bill, however perfect, can become law unless it receives support of a majority of the members of both House and Senate.

But the elements of perfection do not change. The national goal is to set up strong and honest unions bargaining equitably with strong and honest businessmen.

In passing a bill which falls short of this goal, Congress will be helping neither unions nor business. It will be helping racketeers.

In spite of some complaints about the present state of the national morals, any accurate survey will show that union members, businessmen and the public generally outnumber racketeers.

The overwhelming majority, then, is on the side of sound legislation. Anything less is no longer politically feasible.





They can take it over the highway

This diesel-powered INTERNATIONAL is custom-built for highway hauling! Short tilt cab, weight-saving chassis.



They can take it to the door

On any route, savings are routine when you use INTERNATIONAL Trucks with walk-in, walk-through Metro® Bodies.



They can take it...period.

Left to right:

One of many stake and platform models.

All-wheel-drive Travelall® takes 8 men to job.

Medium-duty model with stock-and-grain body.

INTERNATIONAL specialized for oil field work.

**Just how rugged** are INTERNATIONAL Trucks? Just as rugged as the job!

The reason is that you get a truck exactly *right* for your job. You and an INTERNATIONAL salesman decide the model required . . . which engine is best . . . what's needed in frame, axles, transmission.

Net result: a truck that does the job. And you pay no premium for it. See your INTERNATIONAL Dealer for the whole story.



**INTERNATIONAL®  
TRUCKS**

**WORLD'S MOST COMPLETE LINE**





## WHERE OIL AND WATER MEET

Moving steadily up the Ohio River, a powerful Ashland Oil towboat brings crude oil to the company's principal refinery at Ashland, Kentucky. River transportation plays a big part in helping this fully integrated oil company serve the industrial heart of America.

Founded 35 years ago, Ashland Oil & Refining Company does \$300 million annually in sales of petroleum products. Principally a refiner, it has

extensive crude oil reserves, a vast transportation network, and a sales organization which reaches across the nation and into many foreign countries. Expansion has always been considered a form of insurance. For other forms of insurance, this leader in oil relies on the leader in insurance, INA.

Ashland Oil's protection includes liability insurance of various kinds and workmen's compensation, avia-

tion, burglary, fidelity and surety coverages. INA's safety specialists help make Ashland Oil's company-wide safety program a reality. Your business, large or small, can have the *extra value* in complete protection and personalized service that makes Insurance by North America better. Just ask any INA agent or your broker.

Insurance Company of North America  
Indemnity Insurance Company of North America  
Life Insurance Company of North America • Philadelphia

INSURANCE BY NORTH AMERICA

**INA**